MERCK & CO., INC.
Whitehouse Station, N.J., U.S.A.

Listening, responding and working toward a healthier future

OUR COMMITMENT, PERFORMANCE, IMPACT AND ASPIRATIONS

Corporate Responsibility 2006–2007 Report

Sustainable business success depen
people value, on sound financial stewar
that ensures we meet customers' ne

George W. Merck, our founder's son, believed that placing patients before profits was both good medicine and good business. His values live on in Merck today through our commitment to innovative drug research and discovery, ethical business practices, and working to ensure access to medicines and vaccines for those who need them.

Globalization and the expanding reach of firms during the past decades have escalated expectations for multinational enterprises to create more social value, moving beyond compliance with regulations, philanthropy and normal economic activities. Corporate responsibility (CR) has emerged as an important element of the private sector's response to these expectations and demands. While CR can be seen as a way to improve reputation, or simply as a response to a moral imperative to do good, at Merck we believe that CR is inherent in the way we do business and can provide us with new opportunities to create shared value.

STAKEHOLDER FEEDBACK

We have begun a process of collecting stakeholder feedback to inform our approach to CR and how we measure our performance. Here are some outcomes:

» During 2007 and 2006, thought leaders in CR related to the pharmaceutical industry advised us (1) to articulate the business case for CR at Merck and provide greater emphasis of CR impact; (2) to explain how CR is integrated and governed within Merck; and (3) to be more explicit about how we measure and manage our operational risks. In addition, they asked us for targets and commitments, including more information on metrics and challenges. And they advised us to create a more robust stakeholder engagement process, as well as consider including stakeholder voices in our annual CR report.

» In 2007 and 2008, we met with many investors committed to sustainable investing, analysts, shareholder groups and nongovernmental organizations and discussed a wide range of issues, including access to medicines, sales and marketing practices, the safety of our products, human rights and clinical trials.

To find out more about how we are responding to feedback, go to www.merck.com/cr/externalinput.

We welcome your feedback on this report. Please contact us to tell us what you think — our contact information is on the back cover.

nds on making quality products that ardship and on responsible governance eeds ethically and transparently.

ABOUT MERCK

Merck & Co., Inc. (Whitehouse Station, NJ, USA) is a global research-driven pharmaceutical company that discovers, develops, manufactures and markets a broad range of innovative vaccines and medicines to address unmet medical needs. Merck operates as Merck Sharp & Dohme (MSD) in most countries outside the United States. Because of what we do, we recognize that we have special obligations to society. Accordingly, the stated mission of Merck is to provide society with superior products and services by developing innovations and solutions that improve the quality of life and satisfy customer needs, to provide employees with meaningful work and advancement opportunities, and investors with a superior rate of return.

Our Company mission and values are reflected in our CR approach, which clearly sets out how we see our responsibilities in terms of global health and access to medicines, ethical and sustainable business practices, contribution to scientific advancement, good employee relations and returning value to shareholders. We seek to maintain high ethical standards and a culture that values honesty, integrity and transparency in all that we do. Company decisions are driven by what is right for patients.[1]

ABOUT THIS REPORT

This report covers Merck's CR performance during 2006–2007, with some additional information relating to 2008, and updates the 2004–2005 report published in December 2005. We have sought to provide a comprehensive view of how Merck works, balanced by stakeholder feedback to focus on what is most important. As much as possible, we have guided readers to where they can go for more information, including our CR website (www.merck.com/cr) and other reports such as our annual financial reports (Form 10-Ks).[2]

Based on developments in the global business environment, the pharmaceutical sector and Merck specifically, and considering feedback from multiple stakeholders, we have focused our CR reporting on critical, nonfinancial material issues. We provide greater detail than we have in the past on these issues, especially in terms of our challenges, metrics and targets.

We have used several external guidelines and measurement frameworks to inform the scope of our reporting. These include the Global Reporting Initiative (GRI 3) Guidelines,[3] the Millennium Development Goals[4] and the Access to Medicines Index.[5] We are pleased to have achieved a reporting level of B on the GRI 3 Guidelines, and our self-assessment has been checked by the GRI. Go to the back cover for more information.

We have also published a CR Executive Summary that will be available in print and on our website. We plan to publish our next CR report in 2009.

In this report, we define where we do not report metrics as follows: N/A: not available; N/D: no data; N/R: not reported. Many of our indicators are new this year and for this reason some prior year data is not available.

FORWARD-LOOKING STATEMENT

This report contains "forward-looking statements" as that term is defined in the Private Securities Litigation Reform Act of 1995. These statements are based on management's current expectations and involve risks and uncertainties, which may cause results to differ materially from those set forth in the statements. The forward-looking statements may include statements regarding product development, product potential or financial performance. No forward-looking statement can be guaranteed and actual results may differ materially from those projected. Merck undertakes no obligation to publicly update any forward-looking statement, whether as a result of new information, future events, or otherwise. Forward-looking statements in this report should be evaluated together with the many uncertainties that affect Merck's business, particularly those mentioned in the risk factors and cautionary statements in Item 1A of Merck's Form 10-K for the years ended December 31, 2006 and 2007, and in any risk factors or cautionary statements contained in the Company's periodic reports on Form 10-Q or current reports on Form 8-K, which the Company incorporates by reference.

ENDNOTES

1 www.merck.com/about/mission.html
2 www.merck.com/finance/reportsannual.html
3 www.globalreporting.org/ReportingFramework/G3Guidelines
4 www.un.org/millenniumgoals
5 www.atmindex.org/

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For more information on additional GRI disclosures and a comprehensive GRI index, go to www.merck.com/cr/gri
For more information on ATMI reporting, go to www.merck.com/cr/atmi

* Our Annual Financial Report (10-K) has data for EC3 and SO7.
† A2: Merck has a long history of working to improve access to medicines and numerous related policies, but we have not yet formalized an overall access to medicines policy.
‡ We mention only the goals that are most closely related to our business. For more information on our contributions to the MDGs, see p. 22.

Message from the Chairman

George W. Merck, our Company's modern founder, had a simple saying: "We should first see to it that what we are doing is right." This way of doing business, along with the opportunity to make dramatic improvements in the lives of millions, is why I joined Merck more than 35 years ago. Today we continue our long-standing commitment to find innovative ways to solve the many medical and scientific challenges that remain in the fight against disease worldwide. The unmet medical needs we face are changing every day, as new diseases and resistance to existing therapies emerge. To me, this is why the work we do at Merck matters.

MERCK'S WORK AFFECTS MANY WORLDWIDE

Since I took over the helm as CEO at Merck in 2005, we have been listening carefully to the ideas of those concerned about the state of global health care and the success of our Company. Patient groups and health care professionals, governments and nongovernmental organizations, payors and investors, our communities and our own employees have expressed their needs, concerns and expectations. This report is an important part of our response.

Based on what we've heard from and about patients everywhere, we have concluded that five issues are vital to Merck's future success:

- Researching and developing new medicines and vaccines that address unmet needs
- Improving access to medicines, vaccines and health care
- Ensuring confidence in the safety and quality of our products
- Conducting ourselves ethically and transparently
- Managing our environmental impacts

To communicate all that is happening on these important issues, in this second Corporate Responsibility Report we have gathered extensive information about our policies and performance. We have attempted to present the facts and our analyses in a clear and straightforward way.

OUR PRIMARY CORPORATE RESPONSIBILITY IS THE DISCOVERY, DEVELOPMENT AND DELIVERY OF INNOVATIVE MEDICINES AND VACCINES FOR UNMET MEDICAL NEEDS

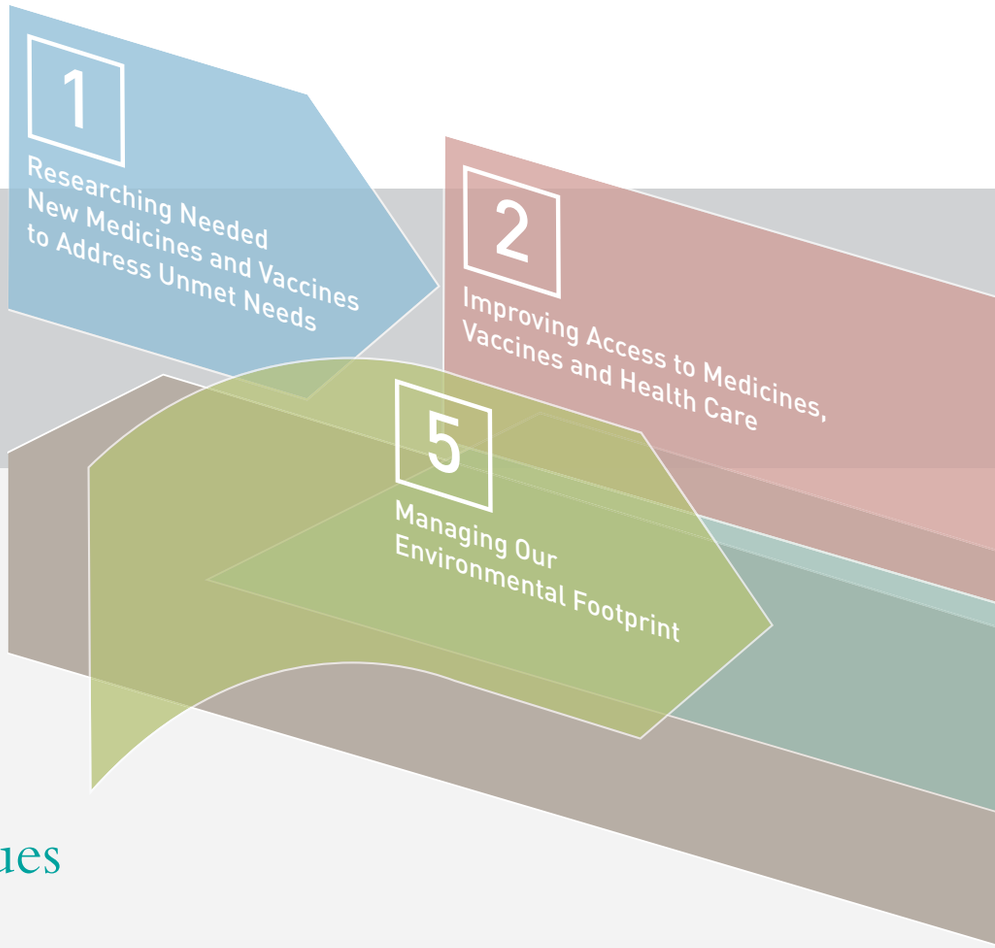
We are delivering on this commitment. In 2006–2007, seven new products were approved, including ISENTRESS for HIV, ROTATEQ for prevention of gastroenteritis, JANUVIA for diabetes and GARDASIL for prevention of cervical cancers, precancerous or dysplastic lesions, and genital warts caused by human papillomavirus. Our products currently address 60 percent of the top 20 global burdens of disease as defined by the World Health Organization (WHO). As of July 31, 2008, we have 43 compounds in our Phase I–III pipeline. This is a strong return on our annual R&D investment of $5 billion.

However, we recognize that most people worldwide still lack adequate access to medicines, vaccines and health care. We are committed to improving access to our products for all who can benefit, wherever they live. This makes good business sense. It is also the right thing to do.

IMPROVING ACCESS TO OUR PRODUCTS

We are expanding our business in emerging markets and making positive changes in product pricing and registration, public policy and partnerships. Some examples of our efforts include:

- In 2007, Merck adopted a new developing world pricing policy for our vaccines. We offer ROTATEQ and GARDASIL at significantly discounted or not-for-profit prices, based on countries' ability to pay. This complements the existing differential pricing policy for our HIV medicines.



Merck's Key Issues At-a-Glance

- We collaborated with other stakeholders, under the leadership of the U.K. Department for International Development, in establishing the Medicines Transparency Alliance (MeTA), which will tackle the excessive markups, corruption and mismanagement that cause good quality medicines to be either too expensive or unavailable for hundreds of millions of people in developing countries.
- Currently, we are working hard to find health care solutions for the more than 45 million Americans who are uninsured. Merck believes that all citizens, regardless of age or income, should have access to quality, affordable health insurance that includes coverage for medicines and vaccines.

We are also working through public/private partnerships to donate our products now and to help strengthen health care capacity worldwide. Merck has a rich history of such commitments.

Last year marked the 20th anniversary of our MECTIZAN Donation Program, which delivers MECTIZAN to treat river blindness and prevent lymphatic filariasis in 35 developing countries. We have seen important successes along the way. In 2007, transmission of river blindness was halted in Colombia, the first time that the disease has been eliminated as a public health problem on a countrywide basis anywhere in the world. I have reaffirmed Merck's pledge to donate enough MECTIZAN for as long as necessary to eliminate river blindness. In addition, in December we pledged up to $25 million toward a new initiative with the World Bank and other partners to help eliminate the disease in 28 African countries.

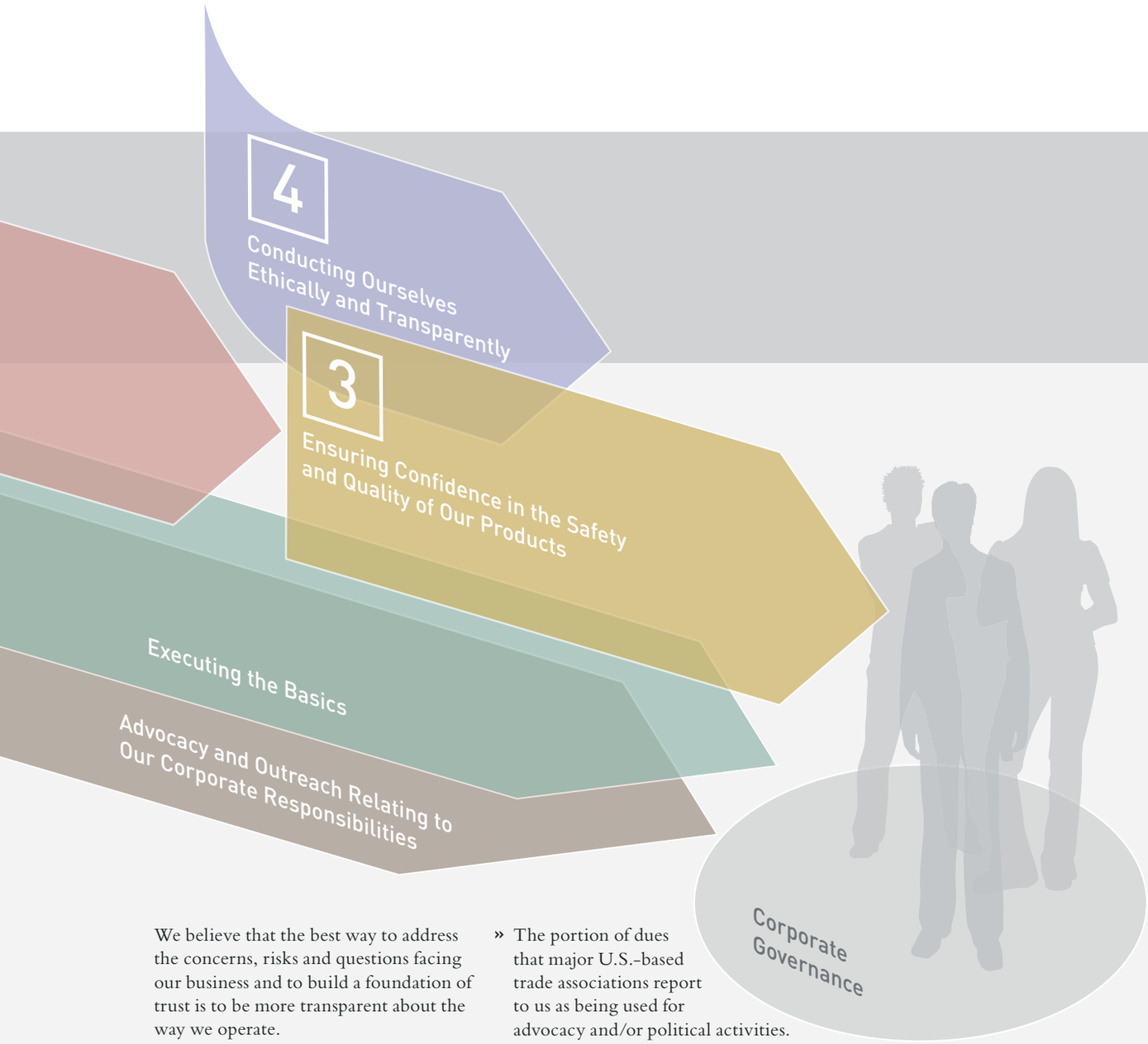
We are building on this commitment to improve global health by systematically facilitating the widespread adoption of our new vaccines. We are creating replicable examples to demonstrate the ease of introduction and the benefits of these vaccines in resource-constrained settings. For example, we launched the ROTATEQ Access Partnership in Nicaragua in 2006 and the GARDASIL Access Program to support vaccination in the lowest-income countries the following year.

A POSITIVE ENVIRONMENTAL IMPACT

We announced plans earlier this year to reduce greenhouse gas emissions from Merck's global operations by 12 percent by the end of 2012, from a 2004 baseline. In our global public policy position, we recognize the potential public health implications that may result from climate change and have adopted a strategy to reduce our environmental footprint, including energy, water use and renewable resources.

PROMOTING TRANSPARENCY

Yet our commitment to improving the state of global health has not spared Merck from the challenges facing the pharmaceutical industry: patent expirations and an increasingly challenging R&D environment, and questions about product safety and corporate integrity. Rapidly growing health care costs are placing great pressures on reimbursement and utilization, resulting in criticism targeting pharmaceuticals well beyond their actual contribution to those costs. There is also increasing debate about the value of the intellectual property rights system that creates incentives for innovation.



We believe that the best way to address the concerns, risks and questions facing our business and to build a foundation of trust is to be more transparent about the way we operate.

This is why, in this report, we seek to be clear not only about our opportunities, but also about the challenges we face, what we are doing to address them and why. We discuss our approach, our performance and impact, and our priorities and commitments for the future. We also report on many more performance indicators than ever before. This report presents the main highlights. You can find more detail on our corporate responsibility website at www.merck.com/cr.

As part of our response to stakeholders, we have begun to disclose:

» Grants provided by Merck's Global Human Health Division to U.S. organizations in support of independent accredited educational programs for health care professionals. Early next year, we will begin to report other grants and payments to U.S. organizations, as well as grants in other regions.

» The portion of dues that major U.S.-based trade associations report to us as being used for advocacy and/or political activities.

» Registration status by country for our newest vaccines and all of our HIV medicines.

» Our perspective on the right to health, and our role in realizing this right.

In addition to providing greater transparency at Merck, as chairman of The Pharmaceutical Research and Manufacturers of America (PhRMA) I am working to establish greater transparency in the pharmaceutical sector more broadly.

WHAT'S AHEAD?

I want to assure you that Merck is committed to reporting on our progress and challenges, including questions about our marketing practices and the safety of our medicines. We will continue to listen and engage with our stakeholders globally to benefit from broader perspectives and to share our own. And we will continue to respond in ways that help bring our new products to more people and sustain our business.

By doing this, I am confident that we will continue to succeed in our most fundamental responsibility — discovering and developing medicines and vaccines that make a difference in people's lives and create a healthier future.

Richard T. Clark

Chairman, President and Chief Executive Officer

October 2008

Economic Contribution to Society

The principal economic value we contribute is through our products, which directly improve and maintain the health of individuals and communities around the world, helping them to live better and to be more productive economically.

In 2006–2007, seven new products were approved including the vaccine GARDASIL for prevention of cervical cancers, precancerous or dysplastic lesions, and genital warts caused by the human papillomavirus, ISENTRESS for the treatment of HIV-1 infection, JANUVIA for the treatment of Type 2 diabetes, and the vaccine ROTATEQ to help protect against rotavirus gastroenteritis. More information on our products is on the inside back cover.

We remain confident that our pipeline continues to show great potential and we are continuing to work hard to ensure confidence in the safety and effectiveness of our products.

In addition, we return value to shareholders in the form of dividends and an active stock repurchase program. Over the past five years (2003–2007), we also paid a total of $12 billion in income taxes worldwide.

CONTRIBUTIONS TO MEDICINE AND SOCIETY

GLOBAL	2007	2006	2005
Number of new products approved	2	5	2
Number of products in the pipeline (Phases I–III) + products under regulatory review	49	57	58
Philanthropic investment ($USM)*	828	826	1,039

FINANCIAL INFORMATION†

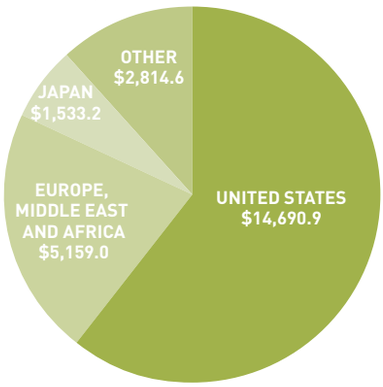
GLOBAL	2007	2006	2005
Sales ($USM)	24,197.7	22,636.0	22,011.9
Merck's investment in R&D programs ($USM)	4,882.8	4,782.9	3,848.0
Number of employees	59,800	60,000	61,000
Number of stockholders (including those holding Merck stock in "street name")	1.2M	1.2M	1.2M
Annual cash dividend paid per share ($US)	1.52	1.52	1.52
Global tax expense as reported on income statement ($USM)‡	95.3	1,787.6	2,732

* Our philanthropic giving decreased after 2005 because of a reduction in the use of Merck's Patient Assistance Program, due mainly to an increasing number of patients with prescription drug coverage, including the Medicare Prescription Drug Program, which began January 1, 2006, and from the removal of ZOCOR® (simvastatin) and PROSCAR® (finasteride) from the eligible products list in 2007 once patients had broad access to lower-cost generic equivalents.

† www.merck.com/finance/reportsannual.html

‡ The tax expense in 2007 reflected the reduction in domestic pretax income primarily resulting from the U.S. VIOXX® (rofecoxib) settlement charge. For more information, see our Annual Financial Report (10-K) for the year ended December 31, 2007.

2007 REVENUE BY GEOGRAPHIC REGION ($USM)



OUR MEDICINES AND VACCINES

Merck's focus on discovering and developing medicines and vaccines has resulted in products that have helped millions of patients around the world. We continue to grow our business with new product indications and formulations, as well as clinical trials that demonstrate their benefits. For a list of selected Merck medicines and vaccines, go to the inside back cover.

SUPPORTING OUR COMMUNITIES

As of June 30, 2008, Merck had a physical presence in approximately 82 countries worldwide, with approximately 365 research, manufacturing, sales and administration sites. In all of these locations, we recognize that our success depends in large part on our relationships and interactions with our local communities, including elected officials, business and community leaders, charities, fenceline neighbors, educators, local media and our employees.

Merck aspires to have a positive impact on the communities in which we operate worldwide and we recognize our responsibility toward those affected directly or indirectly by our operations and activities. We rely on local communities not only for our workforce but also for some of our suppliers and for our ability to do business. Through ongoing engagement and dialogue, we work to understand the concerns and needs of our communities, and we seek to respond by addressing local challenges in ways that build stronger communities and support the sustainability of our business.

We contribute to our communities in three ways:

» Direct economic contributions such as employment, training, support of local suppliers of goods and services, and paying taxes;

» Managing our community impacts—for example, by ensuring confidence in environmental and safety performance; and

» Addressing community needs through philanthropy and community involvement.

Underlying our community approach is our commitment to respecting human rights. Merck is committed to protecting and promoting fundamental human rights not only within our immediate workforce, but also more broadly in our local communities. For more information, see p. 37.

WORKING WITH LOCAL COMMUNITIES

Everyone within Merck is responsible for obtaining trust and acceptance in local communities. One way in which we do this is through our Neighbor of Choice program, developed in the mid-1990s, which aims to:

» Identify the community's essential needs, issues and concerns.

» Respond appropriately to these needs, issues and concerns.

» Establish relationships of trust with community groups and individuals.

Through this program, our employees at Merck facilities develop culturally appropriate mechanisms to engage and build relationships with their community stakeholders. More information at www.merck.com/cr/noc.

Summary of our Progress and Future Plans

ISSUE	PROGRESS	FUTURE PLANS INCLUDE:
1 Researching needed new medicines and vaccines	» In 2006–2007, seven new products were approved. Our products address 60 percent of the top 20 global burdens of illness. As of July 31, 2008, we have 43 compounds in our Phase I–III pipeline. This is a strong return on our annual R&D investment of $5 billion. » In each of 2006 and 2007, Merck signed more than 50 external agreements to leverage excellent and innovative science that is conducted outside of Merck. » In January 2008, Merck agreed to provide financial support for the WHO/TDR Partnership Network, an independent global program of scientific collaboration.	» To grow our pipeline with a focus on researching and developing first-in-class or best-in-class medicines and vaccines. » To expand our interactions with public and private entities to understand and support key research priorities and opportunities, including for developing world diseases. » To initiate development of a formal policy on posttrial drug access in 2008. » To finalize principles for business practices involving the medical and scientific community.
2 Improving access to medicines, vaccines and health care	» In 2006, we launched the ROTATEQ Access Partnership in Nicaragua and in 2007 the GARDASIL Access Program to support vaccination programs in the lowest-income, GAVI[1]-eligible countries. » In 2007, Merck adopted a new developing world pricing policy for our vaccines, which offers ROTATEQ and GARDASIL at significantly discounted or not-for-profit prices, based on countries' ability to pay. This complements our existing differential pricing policy for our HIV medicines. » In November 2007, public health officials announced that transmission of river blindness had been halted in Colombia, the first time that the disease has been eliminated as a public health problem on a countrywide basis anywhere in the world thanks to the success of Merck's MECTIZAN Donation Program and a range of key partners. » We have begun reporting on our website registration status by country for our newest vaccines and all of our HIV medicines. » As of July 2008, more than 777,000 patients in 125 countries and territories were being treated with regimens containing at least one of Merck's anti-retrovirals (ARVs).	» To continue to work with international groups such as the GAVI Alliance to facilitate introduction of vaccines in the world's poorest countries. » To continue to investigate opportunities to reduce the cost of our ARVs for people living in the world's poorest countries and those hardest hit by the pandemic, including through working with external manufacturers and suppliers to achieve incremental efficiencies. » To expand our presence in emerging markets and explore business models for all our products to reach new populations. We will report on developments in future reports.
3 Ensuring confidence in the safety and quality of our products	» Of 71 Good Clinical Practice/Pharmacovigilance inspections conducted by the U.S. Food and Drug Administration (FDA) and other regulatory agencies worldwide during 2006 and 2007, none resulted in critical observations and none resulted in the rejection of any clinical study or regulatory filing. » Since 2007, Merck has registered at trial initiation all clinical trials (Phase I–V) in patients that it sponsors and conducts worldwide on the www.ClinicalTrials.gov website. » As of May 2008, Merck had published a total of 218 clinical trial results on the www.ClinicalStudyResults.org website.	» Continue to register at trial initiation all clinical trials in patients that the Company sponsors worldwide at www.ClinicalTrials.gov. » Continue to disclose results from all registered trials of marketed products regardless of outcome at www.ClinicalStudyResults.org in a timely manner. » Continue to work to enhance and integrate our systems to identify, measure, control and sustain quality excellence in our products.
4 Conducting ourselves ethically and transparently	» In 2007, the Office of Ethics launched an online global compliance training series to complement existing programs to provide employees with new tools and resources for making responsible business decisions. » To date, 90 percent of Merck employees have taken the basic online ethics training, *Know the Code*, which reviews Merck's Code of Conduct. » In October 2008, we plan to begin reporting grants provided by Merck's Global Human Health division to U.S. organizations in support of independent accredited educational programs for health care professionals. » In 2008, to formalize our historical practice of informing health care professionals about our products before we advertise them to consumers, Merck adopted a policy requiring a minimum six-month time period following the approval of a new product before launching direct-to-consumer broadcast advertising.	» To achieve 95 percent completion rate of new ethics training courses by required employee populations, including *Know the Code*, by the end of 2009. » To disclose over time our financial support to medical, scientific and patient organizations globally. In January 2009, Merck will begin reporting grants/payments to other U.S. organizations as well as grants made in Europe and Canada. We will continue to expand our disclosure into other regions as we work to build the infrastructure and systems necessary to allow us to report this information on a global basis. » To disclose in 2009 payments to physicians in the United States who speak on behalf of Merck and our products. » To update our policies and practices in the United States by January 2009 to ensure compliance with the revised PhRMA Code on Interactions with Health Care Professionals.

ISSUE	PROGRESS	FUTURE PLANS INCLUDE:
5 Managing our environmental footprint	» At the end of 2007, we had reduced our demand for water at Merck facilities worldwide by 24.6 percent, exceeding our 2008 goal of reducing water use by 15 percent from a 2004 baseline. » In 2007, we began to track our generation of non-hazardous waste. » In 2007, Merck adopted a public policy on Pharmaceuticals in the Environment, which describes our efforts to work with others to understand and evaluate the issue. » In 2008, we adopted a public policy position on climate change, which outlines Merck's strategy to reduce our environmental footprint, including energy, water use and renewable resources goals.	» To reduce the Company's total global greenhouse gas emissions by 12 percent by the end of 2012, from a 2004 baseline. » To continue to work with stakeholders on the issue of Pharmaceuticals in the Environment to identify additional data needs and to conduct our own environmental risk assessments based upon the best available science.
Executing the basics	*Employee Practices* » In 2007, Merck initiated a new global diversity strategy linking compensation of managers and leaders to diversity and inclusion performance measures. » In 2007, Merck introduced *Health Matters* to raise awareness of health issues and motivate employees to manage and improve their health and well-being. » In 2008, we launched a consistent global approach to flexible work arrangements. *Supply Chain Management* » In 2006, Merck was one of the five initial companies to support publicly the Pharmaceutical Industry Principles for Responsible Supply Chain Management. » In 2008, Merck expanded our supplier diversity program to the United Kingdom and Canada. » In 2008, Merck's CEO and Executive Committee signed a supplier diversity commitment to reach 14 percent in 2008 and 17 percent by 2010 as a percentage of total applicable spend in the United States and Puerto Rico. To reach these aggressive goals, supplier diversity is now a corporate objective for all divisions.	*Employee Practices* » To increase global female representation at the senior manager level from 31 percent to 36 percent by 2012. » To increase senior manager level employees from underrepresented ethnic groups from 14 percent to 18 percent by 2012 in the United States. » To raise awareness of our flexible work arrangements policy, increase employee satisfaction with flexible work opportunities and begin tracking global use in 2009. » To reduce Company-wide and lost-time injury rates by 15 percent each, from the 2007 baseline by the end of 2008. *Supply Chain Management* » To achieve 100 percent completion of Pharmaceutical Industry Principles for Responsible Supply Chain Management survey by existing external suppliers of pharmaceutical intermediates and compounds by the end of 2008. » To achieve 100 percent completion of Merck's preselection Detailed Suppliers Ethical Assessment by potential suppliers of new business globally by 2010. » To develop formal mitigation plans for those items sourced externally that are critical to ensuring our ability to supply finished product without interruption. Our target is to have plans for 20 percent, 60 percent and 100 percent of our suppliers that fit within this category for 2008, 2009 and 2010, respectively. » To expand our supplier diversity reporting in the United Kingdom and Canada by 2010.
Advocacy and outreach	» In 2008, we began to report on our website the portion of dues that major U.S.-based trade associations report to us as being used for advocacy and/or political activities where dues are more than $50,000. » By June 2008, we were in compliance with 10 of the 11 Center for Political Accountability criteria on its Model Code of Conduct for Corporate Political Spending.	» To include in 2009 on our website all dollars spent globally on corporate political campaign contributions. We have provided this information for U.S. contributions since 1996. » To report externally in 2009 on adherence to ethical business practices related to corporate political spending, as recommended in the 11th criterion of the model code of conduct from the Center for Political Accountability. » To ensure that all of the major public/private partnerships (PPPs) in which we participate have clear annual performance requirements, where possible linked to the Millennium Development Goals. By 2010, we will work toward reporting on the percentage of PPPs that report annually against such requirements.

ENDNOTES

1 GAVI Alliance is the acronym for the Global Alliance for Vaccines and Immunization. www.gavialliance.org

KEY ISSUE

1

Researching Needed New Medicines and Vaccines to Address Unmet Needs

In the past 60 years, innovative medicines and vaccines have helped dramatically to improve public health and economic well-being in many countries.

Diseases that were prevalent 100 years ago, such as smallpox and polio, have all but disappeared. The global burden of illness looks very different today, and the WHO projects that it will be different again in just 20 years.

OUR RESEARCH AGENDA AND STRATEGY

Merck is committed to addressing unmet medical needs through scientific excellence: We invested almost $5 billion annually in R&D in 2006 and 2007. The talent of our scientists, combined with the dramatic scientific and technological advances of the past decade, has led to an exciting period of Merck research as we seek new and more effective ways to treat diseases. In assessing our research priorities, we explore the scientific and commercial feasibility of conducting research to develop a product that is useful, considering available knowledge, theories, technologies and skills.

Our research and development is focused on the following six franchises:

- Atherosclerosis and cardiovascular disease
- Bone, respiratory, immunology and endocrine disorders
- Diabetes and obesity
- Infectious diseases and novel vaccines
- Neuroscience including Alzheimer's Disease and pain
- Oncology

Within these therapeutic areas, we commit resources to achieve research breadth and depth and to develop best-in-class targeted and differentiated products that will be valued highly by patients, payers and physicians.

Medicines discovered and developed by Merck scientists save and improve countless lives around the globe. Thanks to more than 11,000 Merck people who work on the Company's research activities, we are among the world's most innovative institutions in the medical sciences for producing first-in-class medicines.

GOVERNANCE OF OUR RESEARCH AGENDA

The Research Management Committee, chaired by the Executive Vice President and President of Merck Research Laboratories (MRL), reviews and approves the Company's basic, non-clinical and clinical research objectives and strategy annually. In addition, our Research Strategy Review Committee includes external scientific experts and provides critically important input to Merck's strategic decisions.

Merck's R&D model is designed to increase productivity and improve the probability of success by prioritizing resources. In addition, as part of our R&D strategy, we continue to pursue appropriate external licensing opportunities. MRL recognizes advancements in scientific knowledge external to Merck and we are vigilant in leveraging, licensing and acquiring new technologies and compounds that are consistent with our R&D strategy.[1]

RESEARCH AND DEVELOPMENT
PERFORMANCE DATA SUMMARY 2005–2007

GLOBAL	2007	2006	2005
Merck's investment in R&D programs ($US)	4.9B	4.8B	3.8B
Number of people employed in the Company's research activities	11,700	11,400	12,400
Number of medicines and vaccines in pipeline (Phase I–III) and products under regulatory review	49	57	58
Number of products approved	2	5	2
Percentage of top 20 global burdens of illness addressed by our products and pipeline (as defined by WHO and excluding accidents, premature birth and self-inflicted injuries)	60	N/R	N/R
Participation in consortia	5	10	N/R

Research activities and investments include all Merck divisions.

Globally, we recognize that our research agenda is critical in the retention and attraction of employees, including some of the world's leading scientists who want assurance that the fruits of their discoveries will be available to patients worldwide. This is also an increasingly important factor for potential external research alliances.

WORKING WITH THE EXTERNAL SCIENTIFIC COMMUNITY

Merck supports numerous professional associations, including the World Medical Association (WMA), the American Association for the Advancement of Science (AAAS), the U.S. National Institutes of Health (NIH), the U.S. National Science Foundation (NSF) and the Institute of Medicine (IOM). In addition, to promoting dialogue and exchange of ideas in research, Merck sponsors research conferences such as selected Gordon Research Conferences related to areas in biology, chemistry and physics in which Merck is conducting research.

Over and above this, Merck collaborates with external researchers and other members of the pharmaceutical industry by participating in selected scientific consortia. Consortia are an important mechanism by which researchers can work together on nonproprietary scientific challenges that are common to all parties. Merck also supports academic and community-based physicians and researchers in expanding clinical and scientific knowledge and in improving the understanding of the appropriate use of Merck products.

Our global Code of Conduct applies to the way we work with external researchers, doctors and academics. In addition, Merck is finalizing Guiding Principles for Business Practices Involving the Medical and Scientific Community. For more on our Code of Conduct and how we work with the external scientific community, go to www.merck.com/cr/research.

EXTERNAL ALLIANCES AND ACQUISITIONS

The majority of our research investment is conducted in-house but we are also committed to working with strategic partners who can help us achieve our research and financial objectives. External licensing is a fundamental and ongoing component of our research and development strategy. In each of 2006 and 2007, Merck signed more than 50 external agreements to leverage excellent and innovative science that is conducted outside of Merck. These included several acquisitions, which are being integrated into Merck's research and development activities.

Merck's R&D is Aligned with Global Needs

MERCK'S PIPELINE (as of July 31, 2008*)

PHASE I

- Alzheimer's Disease, V950
- Atherosclerosis, MK-1903
- Cancer, MK-0752
- Cancer, MK-2461
- Cancer, MK-1775
- Cancer, MK-2206
- Cancer, MK-5108
- Cardiovascular, MK-0448
- Diabetes, MK-0941
- Diabetes, MK-4074
- Diabetes, MK-8245
- Infectious Disease, MK-3281
- Infectious Disease, MK-4965
- Infectious Disease, MK-7009
- Neurologic, MK-4305
- Neurologic, MK-8998
- Psychiatric Disease, MK-5757

PHASE II

- Alzheimer's Disease, MK-0249
- Atherosclerosis, MK-6213
- Cancer, MK-0646
- Cancer, MK-0822
- Cardiovascular, MK-8141
- Diabetes, MK-0893
- HPV, V503
- Infectious Disease, V419
- Infectious Disease, V710
- Neurologic, MK-0249
- Ophthalmic, SIRNA-027†
- Ophthalmic, MK-0140
- Pain, MK-2295‡
- Psychiatric Disease, MK-0249
- Respiratory Disease, MK-0633
- Sarcopenia, MK-2866
- Stroke, MK-0724

PHASE III

- Atherosclerosis, MK-0524A
- Atherosclerosis, MK-0524B
- Atherosclerosis, MK-0859 (anacetrapib)
- Obesity, MK-0364 (taranabant)
- Migraine, MK-0974 (telcagepant)
- Cancer, MK-8669 (deforolimus; AP23573)
- Osteoporosis, MK-0822 (odanacatib)
- CHF, MK-7418 (rolofylline; KW3902)
- Hepatitis B Vaccine, V270 HEPLISAV (on hold)

2008 U.S. APPROVALS

- CINV, MK-0517 EMEND for Injection

Small molecules and therapeutic biologics are given MK-number designations and vaccine candidates are given V-number designations.

Progressed since February 2008

* Candidates shown in Phase I and Phase II include the most advanced candidate for a specific mechanism within a given therapeutic area. Backup candidates, regardless of their phase of development; additional indications in the same therapeutic area; and additional claims, line extensions or formulations for in-line products are not shown.

† Clinical program conducted by Allergan, Inc.

‡ Proof-of-Concept Molecule

RESEARCH INTO DISEASES PREVALENT IN THE DEVELOPING WORLD

Merck has a long history of both in-house research and external research partnerships in infectious disease areas that enable innovation in diseases of the developing world. In formulating and refining our R&D approach, we engage with stakeholders such as the NIH, the WHO, PATH, the GAVI Alliance, the Medicines Research Council in the United Kingdom, the Wellcome Trust and the Global Fund for HIV/AIDS, TB and Malaria, to understand better the research priorities of countries worldwide.

We apply our R&D expertise and technology to identify potential treatments for diseases prevalent in the developing world, such as pneumococcus, that current medicines and vaccines do not adequately cover. We are also involved in product development and research collaborations, including some in which we have licensed compounds and donated products for further investigation to partners with specialized expertise.

MAJOR GLOBAL BURDENS OF ILLNESS, AS DEFINED BY THE WHO GLOBAL BURDENS OF DISEASE PROJECT*

DISEASE, CONDITION OR INJURY	LEADING CAUSES OF MORTALITY: *2002 RANK*†	LEADING CAUSES OF MORTALITY: *PROJECTED 2030 RANK*†	LEADING CAUSES OF DALYs‡: *2002 RANK*§	LEADING CAUSES OF DALYs‡: *PROJECTED 2030 RANK*§
Ischemic heart disease	1	1	6	3
Cerebrovascular disease	2	2	7	6
Lower respiratory infections	3	5	2	8
HIV and AIDS	4	3	3	1
Chronic obstructive pulmonary disease	5	4	11	7
Perinatal conditions	6	9	1	5
Diarrheal diseases	7	16	5	12
Tuberculosis	8	23	10	25
Trachea, bronchus, lung cancers	9	6	N/A	N/A
Road traffic accidents	10	8	8	4
Diabetes mellitus	11	7	20	11
Malaria	12	22	9	15
Hypertensive heart disease	13	11	N/A	N/A
Self-inflicted injuries	14	12	17	14
Stomach cancers	15	10	N/A	N/A
Unipolar depressive disorders	N/A	N/A	4	2
Congenital abnormalities	N/A	N/A	12	20
Hearing loss – adult onset	N/A	N/A	13	9
Cataracts	N/A	N/A	14	10
Violence	N/A	N/A	15	13

Considering Merck's pipeline and the list of products we currently market (see inside back cover), we estimate that Merck addresses 60 percent of the top 20 global burdens of illness as defined by the WHO.

* Projections of Global Mortality and Disease. Mathers and Loncar. PLOS Medicine Nov 2006, Vol 3, Issue 11, e 442.
† From table 2 in referenced article
‡ From table 5 in referenced article
§ DALYs: Disease-adjusted life years—a metric of the impact of disease or disability

Merck has research programs and is engaged in R&D collaborations relating to the following significant burdens of illness in the developing world. More at www.merck.com/cr/researchpriorities.

- Malaria
- Tuberculosis
- Diarrheal disease
- Cervical cancer
- HIV and AIDS, including for pediatric use

Merck's research has also resulted in MECTIZAN for the treatment of the parasitic infection onchocerciasis (river blindness). To date, Merck has invested more than $30 million dollars in direct financial support for the MECTIZAN Donation Program, in addition to 2.1 billion tablets of MECTIZAN with a market value of $3.2 billion. In 1998, Merck expanded the Merck MECTIZAN Donation Program to include the prevention of lymphatic filariasis, commonly referred to as elephantiasis, in African countries where the disease co-exists with river blindness. For more information, go to p. 21.

In January 2008, Merck, along with several other pharmaceutical companies, agreed to provide financial support for the WHO/TDR Partnership Network (Special Program for Research and Training in Tropical Diseases [TDR]), an independent global program of scientific collaboration. Potential collaboration involves industry grants to scale up TDR's network infrastructure for maintaining capacities for drug testing in cell and animal models; maintaining its database of drug targets and information on known "drug-ability" of the targets; and evaluation and feedback to collaborating institutions.[2]

In addition, Merck was a founding member of the Partnership for Disease Control Initiatives (PDCI), a coalition of pharmaceutical companies and nongovernmental organization partners engaged in specific disease control or elimination programs for neglected tropical diseases.

THE RESEARCH AND DEVELOPMENT PROCESS

Drug discovery is a long, difficult, expensive and high-risk undertaking. It begins with basic research in the laboratory, which expands the fundamental understanding of disease pathways, and identifies and characterizes new drug candidates. The next step is developmental research, where researchers test the safety and efficacy of a new drug candidate in animals. If the compound makes it through this stage we then begin clinical development in which multiple studies are conducted in people over several years.

Safety is our highest priority. We rigorously study our products and work with regulators and health care professionals over many years to characterize the safety profiles of these products.

Studies have estimated that, across the entire pharmaceutical industry, it costs more than $1 billion to bring one medicine from discovery in a laboratory to the patient.[3] For every one medicine that reaches the market, between 4,000 and 10,000 compounds must be screened. The research-based pharmaceutical industry assumes the high risk of failure in drug development and plays a critical role in the research and development of new medicines and vaccines worldwide.[4] Profitability and a strong financial base are essential to investment and to the allocation of resources necessary to develop and produce future medicines that can meet evolving health needs.

NONCLINICAL RESEARCH

Merck scientists use the most advanced tools and latest technologies to facilitate drug discovery and development and increase our chances of success. However, we recognize that new technologies such as cloning and stem cell research are frequently the subject of controversy. We encourage further debate on them so that society can understand better the benefits as well as the potential risks of new ways of working.

GENETIC RESEARCH

Merck is strongly committed to understanding how genes work and how they relate to diseases and drug treatments. The foundation of our clinical pharmacogenomic strategies is our collection of genetic samples in Merck clinical trials. We analyze related data and apply new technologies to enhance our development of new medicines and vaccines. We obtain appropriate subject consent for the use of genetic samples, in accordance with domestic and international laws and regulations.

REGENERATIVE MEDICINE RESEARCH

Merck has been conducting research into the biology of stem cells for more than a decade. This research has involved the use of animal or human stem cells. We believe it has the potential to help identify important new medicines and therapies for currently unmet needs, including neurodegenerative conditions such as Parkinson's disease, cancer, cardiovascular disease, diabetes, osteoarthritis or trauma.

We recently formed a Regenerative Medicine Oversight Committee, comprised of Merck and external experts, to help oversee Merck's research involving stem cells, including highly targeted research using human embryonic stem cells. Merck conducts research using stem cells in full accordance with all applicable laws and regulations and with our own research policies. Research involving human embryonic stem cells is guided by National Academy of Sciences guidelines.

Merck is opposed to the reproductive cloning of human beings.

ANIMAL RESEARCH

To discover, develop, manufacture and market innovative medicines and vaccines that treat and prevent illness, laboratory animal research is indispensable for scientific and regulatory reasons. Merck is dedicated to the ethical and responsible treatment of all animals used in the development of its medicines and vaccines.

Our standards for animal care and use meet or exceed applicable local, national and international laws and regulations. For further oversight, Merck voluntarily seeks review and accreditation of our animal care facilities by an independent organization, the Association for Assessment and Accreditation of Laboratory Animal Care-International (AAALAC).[5] As of 2007, all of Merck's animal care and use programs were accredited by the AAALAC. In addition, we hold external animal research laboratories that we contract with to high animal research standards and we require that they comply with and conform to applicable animal welfare laws and regulations.

Merck is committed to the philosophy of replacement, reduction and refinement (3Rs) for animal-based research. The vast majority of our biological studies do not involve animals. It is our responsibility to use the most appropriate methodology and aggressively to seek alternatives to the use of animals in research. Whenever possible we use animal alternatives (replacements) that include in vitro (cell culture) tests, computer modeling, robot screening and database mining. For example, Merck has created a world-class imaging department that allows scientists to view tumors in mice and monitor noninvasively the long-term effectiveness of

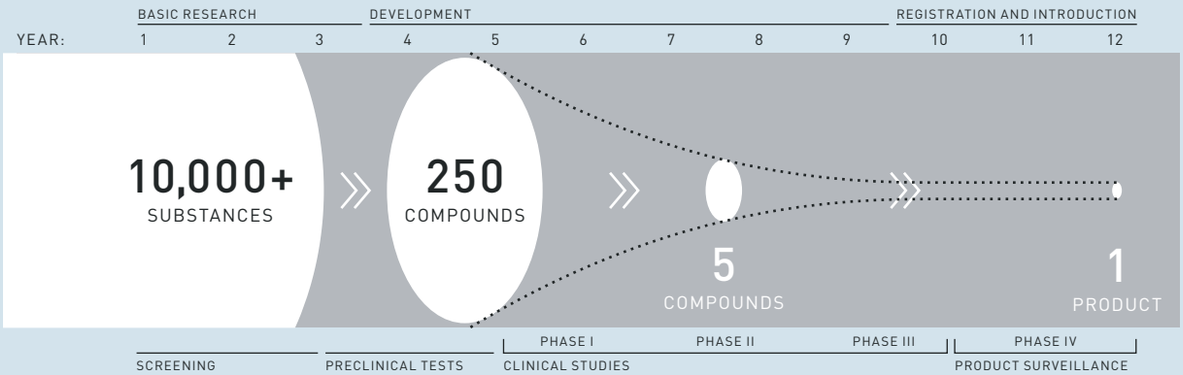
BIOPROSPECTING

In the course of our drug discovery, we believe that it is important to protect and preserve the environment in which we operate. Merck no longer is actively involved in research on natural products. However, through external collaborations, Merck assays may be used to screen natural products, in which case Merck adheres to the Convention on Biological Diversity.

NONCLINICAL RESEARCH PERFORMANCE DATA SUMMARY 2006–2007

GLOBAL	2007	2006
Number of filed U.S. patent applications	200	227
Number of initiated licenses for new technologies	100	122

The number of filings and patents granted demonstrates the extent of innovation taking place at Merck Research Laboratories.



$5 billion

Merck spends about $5 billion a year on R&D.

11 thousand

Merck employs more than 11,000 people in the Company's research activities.

new cancer treatments. In addition, since 1994 Merck has annually presented an Animal Alternative Award to Merck scientists who develop new animal alternatives techniques. For more information, go to www.merck.com/cr/animalresearch.

OUR CLINICAL RESEARCH AND DISCLOSURE OF RESULTS

Merck conducts clinical trials worldwide to evaluate the efficacy and safety profiles of our products. These trials are fundamental to the development of innovative medicines and vaccines that treat and prevent illness in humans. Merck's investigational studies in human subjects adhere to laws and regulations for the protection of human subjects, including the International Conference on Harmonization—Good Clinical Practices (ICH-GCP) standards. Merck continues to support the principles in the Declaration of Helsinki.

CLINICAL TRIAL CONDUCT AND GOVERNANCE

Our clinical trials are designed, conducted and monitored in adherence to Merck global standards, regardless of study location. Consistent with a trend in the pharmaceutical industry, more than half of the patients participating in our clinical trials are enrolled outside the United States, in more than 50 countries. As a result, we obtain information in diverse populations that helps to ensure a thorough evaluation of the safety and efficacy of our medicines and vaccines.

Our clinical trials are designed with extensive input from local clinical investigators and external consultants with relevant, specific experience. For all Phase III and later clinical trials, it is Merck policy to establish external scientific advisory committees to advise on trial design, provide for transparent review and discussion of the data, and foster a collaborative approach to the publication and presentation of findings. All protocols and related documents are reviewed and approved by external and independent Institutional Review Boards or Ethical Review Committees.

Merck recognizes the importance of providing participants of clinical trials for severe or life-threatening diseases—such as HIV and oncology—access to the medicine after the trial is completed. Based on our evolving practices to meet patient needs, Merck is developing a formal policy on posttrial drug access.

CLINICAL QUALITY ASSURANCE AUDITING

Merck's Worldwide Clinical Quality Assurance Resources department conducts independent, periodic audits of the processes, computerized systems and collaborative partners supporting Merck clinical development. The audits primarily assess compliance with GCP and Pharmacovigilance regulations and guidelines, clinical study protocols and contractual agreements, divisional and departmental standard operating procedures, and applicable corporate policies and procedures. The audits also assure the

PEDIATRIC FORMULATIONS AND INDICATIONS

Where appropriate, we are conducting clinical trials and seeking approval for pediatric indications and age-specific formulations. For a listing of all of our pediatric clinical trials in Phases I-IV go to www.ClinicalTrials.gov.

INFORMED CONSENT

Merck requires assurance that subjects and/or their legal representatives understand the procedures, use and disclosure of personal health information, use of biological samples, and risks/benefits involved in a clinical study and that their participation is voluntary. Informed consent is obtained prior to initiation of any clinical study procedures, including those performed solely for the purpose of determining eligibility for participation in the trial. In the case that a prospective clinical study participant cannot read the form, the consent form may be read by a patient advocate, with consent documented and witnessed.

CLINICAL TRIALS AND DISCLOSURE PERFORMANCE DATA SUMMARY 2006–2007

GLOBAL	2007	2006
Number of clinical trials registered at www.ClinicalTrials.gov	161	98
Phase II–V* clinical trials conducted (in number of countries)	58 (54)	50 (49)
Manuscripts of clinical trial results and related papers submitted to peer-reviewed journals	172	172

* Phase V trials are conducted to determine new uses for existing products and/or broader health and economic outcomes.

accuracy and integrity of clinical trial data that support our regulatory applications.

CLINICAL TRIALS REGISTRATION AND DISCLOSURES OF CLINICAL TRIALS RESULTS

We believe that clinical trial registries serve an important function for patients and health care providers to learn about and gain access to relevant clinical trials of experimental treatments or preventative agents. In response to physicians' and patients' requests for improved information, Merck worked with other pharmaceutical companies and associations to utilize the NIH clinical trials registry for posting clinical trials and to develop other sites for posting trial results in 2005. In 2007, the FDA Amendments Act (FDAAA) was passed, requiring that all trials Phase II–V must be registered. Prior to FDAAA, only serious or life-threatening studies Phase II–V were required. Since February 2007, Merck's policy has been to register at the trial initiation all clinical trials (Phase I–V) in patients that it sponsors and conducts worldwide on the www.ClinicalTrials.gov website. Previously, starting in 2005, Merck had registered clinical trials Phase II–V.

For many years, Merck has published in a timely manner the results of hypothesis-testing trials — regardless of outcome. The Company expanded our commitment in 2005 by disclosing results from all registered trials of marketed products on www.ClinicalStudyResults.org. In keeping with our publication guidelines, Merck discloses balanced, complete and accurate information regarding all of our registered clinical trials of marketed products, regardless of outcome. As of May 2008, Merck had published a total of 218 clinical trial results on the www.ClinicalStudyResults.org website.

RESEARCH AGENDA AND MANAGEMENT PRIORITIES FOR THE FUTURE

» We will continue to grow our pipeline with a focus on researching and developing first-in-class or best-in-class medicines and vaccines in targeted areas such as atherosclerosis and cardiovascular disease, bone and respiratory diseases, diabetes and obesity, infectious diseases and novel vaccines, neuroscience and oncology therapies.

MERCK'S PUBLICATION POLICY

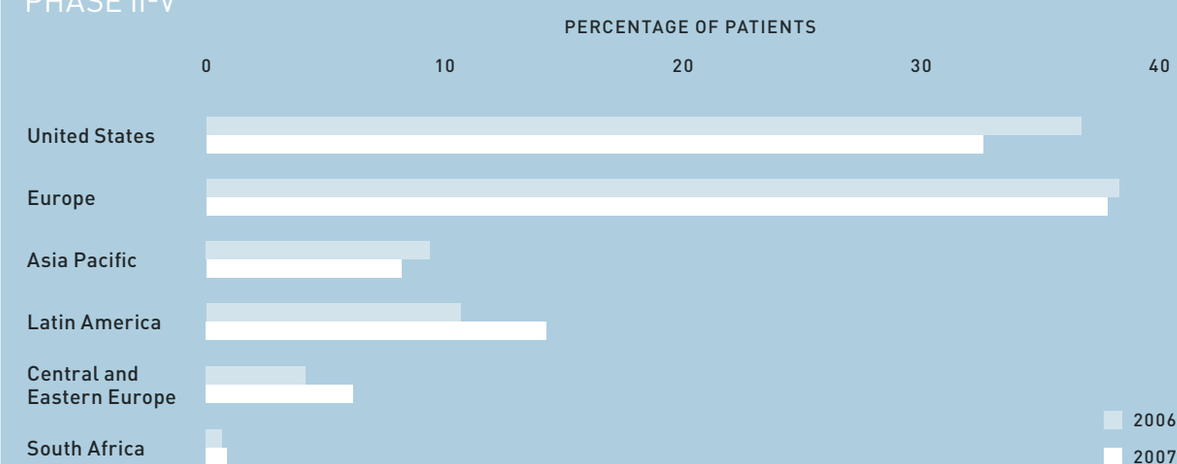
Merck formally developed and implemented our Guidelines for Publication of Clinical Trials and Related Works in 2003, and posted them on our website publicly in January 2004. The guidelines contain additional information about how Merck works with external authors and contributing writers.

» We will continue and expand our interactions with public and private entities, such as academic institutions and nongovernmental organizations, to understand and support key research priorities and opportunities, including for developing world diseases.

» We are developing a formal policy on posttrial drug access.

» We are finalizing Guiding Principles for Business Practices involving the Medical and the Scientific community.

GEOGRAPHIC SPREAD OF MERCK'S CLINICAL STUDIES PHASE II-V*



* Phase V trials are conducted to determine new uses for existing products and/or broader health and economic outcomes.

SELECTED RESEARCH, SCIENCE AND INNOVATION POLICY ACTIVITY AND STAKEHOLDER ENGAGEMENT 2006–2008

In the past two years, Merck scientists have participated in developing public policy on numerous and varied issues related to the support of science and innovation. For example, the Association of American Medical Colleges has engaged in the Medical School Objectives Project for more than 10 years. One result was the report on the education of medical school students in effective and safe prescribing.[6]

To inform the debate on research in neglected tropical diseases and other diseases prevalent in the developing world, Merck has participated in numerous forums, including the 2008 Infectious Diseases Summit that focused on leveraging private sector skills for health system development and capacity building for the prevention and control of infectious diseases.[7]

Merck also participated in the 2008 Partnering for Global Health forum, which reviewed developing world health needs and discussed new U.S. incentives for neglected tropical disease drug development.[8]

FOSTERING SCIENCE EDUCATION

Fostering the next generation of scientific leaders is consistent with Merck's overall commitment to scientific innovation: It is essential for the sustainability of our business to have access to the best-trained scientific minds globally, and it is essential for the economic development and well-being of the communities in which we operate.

Merck has a long history of promoting science education in schools and at the precollege, undergraduate, graduate and postdoctoral levels. We want to help develop and train future leaders in science and biomedical research, by stimulating interest and excellence in science from an early age; by expanding interest among undergraduate students to pursue graduate study in the health sciences and possible research careers; and by creating opportunities for graduate and postdoctoral training in a variety of basic and clinical research areas.

Our support continues today through public/private partnerships with local, regional and national partners that rely on evidence-based approaches to learning and undergo rigorous evaluation. Two major programs in this area are the Merck Institute for Science Education and the UNCF/Merck Science Initiative.

THE MERCK INSTITUTE FOR SCIENCE EDUCATION (MISE)

Based on our belief that interest in science must be fostered at an early age, in 1993, Merck made a long-term commitment to improve science teaching in U.S. public schools with the establishment of MISE. We were deeply concerned about the quality of science instruction at the time and believed that a more focused, proactive approach to education reform was necessary. Funded through a $38 million, 15-year commitment from The Merck Company Foundation, MISE has worked to improve science education and raise the levels of science performance for students from kindergarten through 12th grade. MISE activities are focused on school districts near Merck facilities in New Jersey, Pennsylvania, Massachusetts and, most recently, Thailand.

In addition to funding provided by The Merck Company Foundation, MISE has also received funding from the NSF, including through a $7.1 million award in 2003 to MISE and a regional partnership of schools and education organizations to strengthen science and mathematics education in certain New Jersey school districts.

Independent analyses of student performance found that students receiving science instruction from teachers who participated in MISE professional development activities over several years outperformed students whose teachers had only one or no years of MISE training. More recent analyses of student achievement data also found that the race/ethnicity achievement gap is significantly smaller in science for students of teachers who participated in coaching than for students whose teachers did not participate in coaching. MISE provides academic content and pedagogical support for coaches.

In 2006, MISE was included as a best practice in "Innovation America—Building a Science, Technology, Engineering and Math Agenda," published by the National Governors Association.[9]

THE MERCK INSTITUTE FOR SCIENCE EDUCATION (MISE) PERFORMANCE AND IMPACT DATA SUMMARY 2005–2007

	2007	2006	2005
Merck Company Foundation investment in MISE ($US)	3.4M	3.4M	3.3M
Total student enrollment in grades pre-K–8 (In NJ and PA MISE-supported school districts)	37,015	36,244	36,696
Number of teachers and principals attending MISE workshops	775	800	900
Quality of Professional Development: Percentage of principals reporting being prepared to support teachers implementing the NJ Core Curriculum Content Standards in Science (four NJ school districts; grades 6–8)	90	80	100
Percentage of grade 8 State Science Test results (NJ school districts)	59.2 proficient	59.8 proficient	55.6 proficient
Number of teachers attending IN-STEP workshops in Thailand	95	30	N/A

Led by Dr. Carlo Parravano, MISE has become a model for how corporations can support America's STEM (science, technology, engineering, mathematics) education objectives and make a lasting difference in education reform by:

- *Developing and delivering research-based professional development opportunities to enhance teacher knowledge and skills*
- *Providing access to high-quality curriculum materials and resources*
- *Building communities within a school that are committed to strengthening science teaching and learning within and across schools and school districts*
- *Promoting local, state and national policies that support effective science education*

> *"Through this partnership, we are changing the way science and math are taught and learned at every grade level. MISE has become an anchor in our instructional planning and delivery systems. The MISE partnership truly has made a difference in the lives of our children."*

Dr. Raymond Bandlow
Superintendent, Hillside, New Jersey,
Public Schools

In 2006, MISE launched its first international program in the tsunami-ravaged areas of Thailand, in conjunction with MSD Thailand, the Kenan Institute Asia, and the Thai Ministry of Education. Known as the Inquiry-based Science and Technology Education Program (IN-STEP), the initiative seeks to improve student performance in science through inquiry-based learning, and to develop a proven model for the Ministry of Education to replicate nationwide. Through December 2007, the initiative has trained more than 125 Thai educators. Thirty-six of these Thai teachers have used their new knowledge to teach workshops co-designed with IN-STEP staff.

For more on MISE, go to www.mise.com/cr/mise.

UNCF/MERCK SCIENCE INITIATIVE

African-Americans currently hold fewer than 2 percent of PhDs in biology and chemistry. To help address this imbalance, Merck partnered in 1995 with the United Negro College Fund (UNCF) to establish the UNCF/Merck Science Initiative. This program seeks to expand the pool of world-class African-American biomedical scientists and help to enhance the economic competitiveness of the United States. The initiative also provides Merck with an opportunity to recruit from a more diverse pool of postdoctoral fellows in support of the Company's diversity workforce goals (see p. 48.), and supports one of Merck's five strategic philanthropic priorities (see p. 60).

Each year, the initiative provides scholarship and fellowship support to 37 outstanding African-American students pursuing studies and careers in chemistry and the life sciences. Awardees are selected through a national competition open to all eligible students at colleges and universities throughout the United States. The awards provide financial support, hands-on training, mentoring relationships and institutional support to help the UNCF/Merck Fellows devote their attention to education. Undergraduate scholars also receive paid internships for two summers at Merck Research Laboratories, where Merck scientists volunteer to mentor Fellows, serving as teachers, career advisors and friends helping to ensure that the Fellows move seamlessly from one educational level to the next.

Merck has contributed more than $36 million to the UNCF/Merck Science Initiative. To date, 479 recipients—half of them women—at more than 170 institutions have received fellowships. In a recent survey, of the Fellows who have entered the workforce, 43 percent are in academe and work in Ivy League institutions, large state universities and historically black colleges and universities. Nearly 32 percent of Fellows work in industry (pharmaceutical and biotech); and 25 percent work in the public sector. In 2006, one Fellow was selected as one of *Ebony* magazine's "30 on the Rise" Young Leaders of the Future.

SUPPORTING HISPANIC STUDENTS' ACCESS TO EDUCATION

In May 2008, Merck partnered with the The National Alliance for Hispanic Health to create the Alliance/Merck *Ciencia* (Science) Scholars Program, aimed at improving Hispanic student access to higher education and degrees in science, technology, engineering and math (STEM). The Merck Company Foundation provided a $4 million grant and MISE is working closely with the Alliance to implement the program.

More on the Alliance at www.merck.com/cr/docs/merck_ciencia_scholars_program_2008.pdf

PUBLIC POLICY AND STAKEHOLDER ENGAGEMENT ON SCIENCE EDUCATION

The Merck Institute for Science Education seeks to have a broader impact on education reform through public policy and stakeholder engagement efforts. For example, in 2007, Dr. Parravano served as a resource expert at the National Governors Association winter meeting and assisted governors and staff in 35 states in developing initiatives to improve science education. That same year, MISE supported the development and publication of *Ready, Set, SCIENCE!* A publication of the National Academies Press, the book helps K–8 educators understand the implications of critical new research on teaching and learning science, and puts this research into the context of the classroom through practical examples and case studies.[10]

In July 2008, Dr. Parravano testified before the U.S. House of Representatives' Education and Labor Committee as part of a hearing to examine how business/education partnerships can help drive innovation and strengthen math and science education in America's schools.[11]

SCIENCE EDUCATION PRIORITIES AND TARGETS

- To improve the interest, participation and performance of students in science in grades K–12, during the next three years, MISE plans to expand its work to additional school districts and to a new international site. MISE will provide each new site with technical assistance and access to current MISE programs. Specific targets for this work are currently being developed in collaboration with an external evaluator.
- We will continue to make further evaluation reports available on www.mise.org.
- MISE will continue to disseminate information about the impact of the UNCF/Merck Initiative and seek to expand the model of support for minority scientists to other corporations and nonprofit organizations.

UNCF/MERCK SCIENCE INITIATIVE
PERFORMANCE DATA SUMMARY 1996–2005

	CUMULATIVE 1996–2005
Merck Company Foundation/Merck investment in UNCF ($US)	36M
Degree completion rates of Fellows (%)	
» Undergraduate (BA/BS)	99
» PhD	95
Percentage of former undergraduate Fellows who entered graduate school	65
Percentage of former graduate Fellows who entered postdoctoral positions	53
Number of Fellows hired by Merck (2002–2007)	10

MORE INFORMATION ONLINE

You can find more information on the issues covered in this section, as well as on the following topics at www.merck.com/cr/research.

- How we work with the external scientific community
- Research programs and collaborations relating to major burdens of illness in the developing world
- Clinical trial monitoring
- Contract research organizations
- Access to Merck clinical databases by the external clinical research community

ENDNOTES

1 www.merck.com/licensing

2 www.who.int/tdr/

3 DiMasi J, Grabowski H. The Cost of Pharmaceutical R&D: Is Biotech Different? Managerial and Dec Econ 2007; 28:469-479. (available at www.fds.duke.edu/db?attachment-25--1301-view-325)

4 Zycher B, DiMasi J, Milne C. The Truth About Drug Innovation: Thirty-Five Summary Case Histories on Private Sector Contributions to Pharmaceutical Science. Manhattan Institute Center for Medical Progress, 2008. (available at www.manhattan-institute.org/html/mpr_06.htm)

5 www.aaalac.org

6 Association of American Medical Colleges. Report X—Contemporary Issues in Medicine: Education in Safe and Effective Prescribing Practices. Washington, D.C: AAMC 2008.

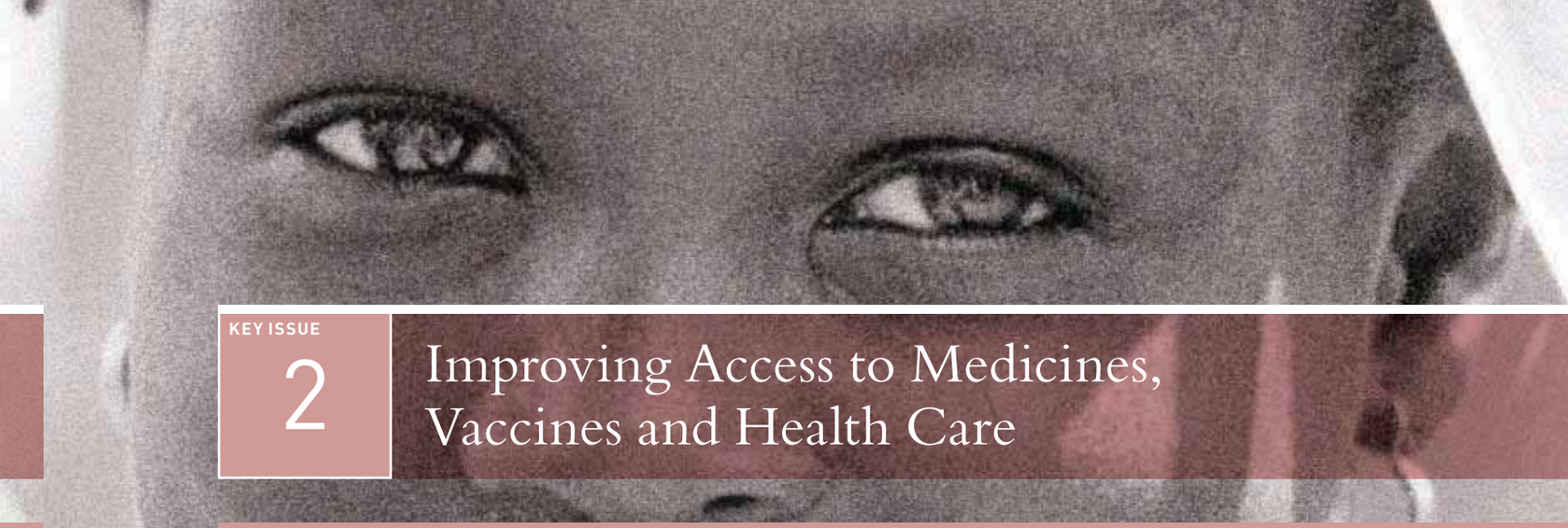
7 www.aafsummit.org

8 www.pgh.bio.org

9 National Governors Association. Innovation America: Building a Science, Technology, Engineering and Math Agenda. Washington, D.C. NGA Center for Best Practices, 2008. (available at www.nga.org/Files/pdf/0702INNOVATIONStem.pdf)

10 Michael S, Shouse AW, Schweingruber HA. *Ready, Set, Science!*: Putting Research to work in K-8 Science Classrooms. Washington, D.C: National Academies Press, 2008. (available at www.nap.edu/catalog.php?record_id=11882)

11 www.merck.com/cr/resources



KEY ISSUE 2

Improving Access to Medicines, Vaccines and Health Care

Millions of people worldwide are healthier and living longer lives due to medical advances and globalization, but at least as many people are sick or dying because they do not have adequate access to medicines, vaccines and health care.

While advances have been made in recent years to expand access to medicines and vaccines, we agree with many in the global health community that progress has been too slow.

Merck believes we have an important responsibility in improving access to medicines, vaccines and quality health care worldwide. Our fundamental role is to discover and develop innovative products that treat and prevent unmet medical needs. We are also working very hard through initiatives and partnerships to ensure that our products are accessible and affordable.

MERCK'S ACCESS STRATEGY AND COMMITMENT TO IMPROVING AND ACCELERATING ACCESS

Working to improve access to medicines and vaccines worldwide is the right thing to do ethically, and it is also a major element of our corporate mission and necessary to sustain our business in the longer term. Merck's strategy to accelerate access to our medicines and vaccines is three-pronged:

- Discovering and developing breakthrough medicines and vaccines that address major burdens of illness globally (see p. 8).
- Developing sustainable business strategies and practices tailored to the needs of different countries and situations so that our products can reach the patients who can benefit from them, wherever they may be, and our business can continue to grow. We also consider philanthropic activities that will support our business strategies (see pp. 20–21).
- Promoting and participating in public/private partnerships to help build health care capacity, expand delivery systems and address specific health and development challenges particularly in the developing world (see p. 20).

We also seek to advance access to medicines, vaccines and health care through public policy and outreach activities that address barriers and challenges to health care delivery.

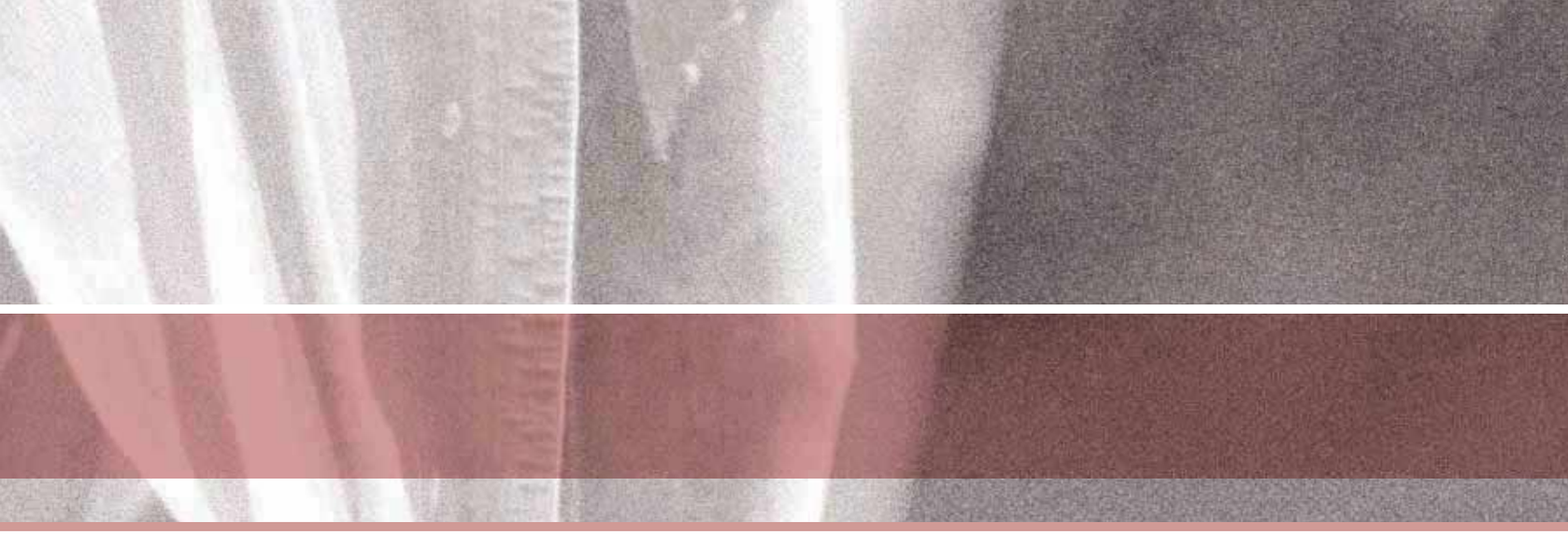
SUSTAINABLE BUSINESS STRATEGIES

To improve and accelerate access, our business strategies and practices consider issues such as breadth of registration and WHO prequalification, differential pricing, the returns on intellectual property protection, infrastructure improvements and impacts, and how our philanthropy can be most effective. We believe that our access approach is also key to attracting and motivating our most talented employees—those committed to making a positive difference to society.

REGISTRATION AND WHO PREQUALIFICATION Merck is committed to registering our medicines and vaccines as broadly as possible around the world. We seek to register in developing and least developed countries in parallel to developed country registration to the extent permitted by local regulations. To increase the transparency of Merck's product registration status, in 2008 we have begun to disclose on our website the country registration status for ROTATEQ, GARDASIL and our four anti-retroviral (ARVs) medicines. We plan to update this information every six months.

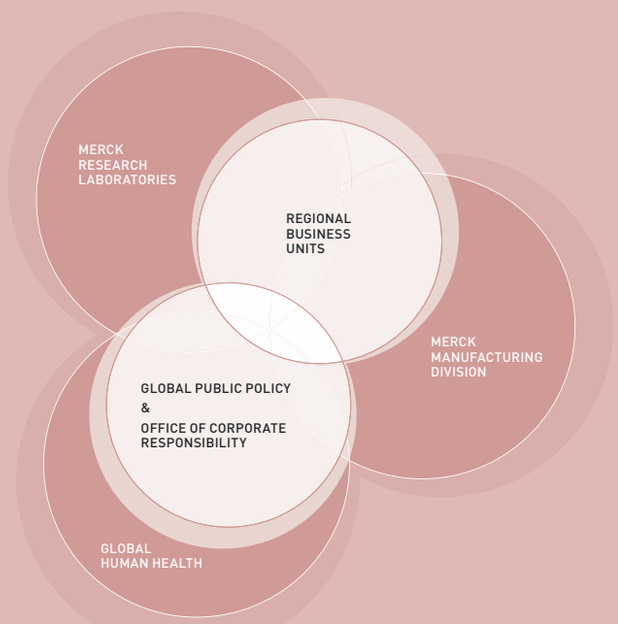
Merck is seeking WHO prequalification for MMRII, ROTATEQ and GARDASIL.

Access is determined by many interrelated elements. Poverty is the most important factor, but also critical are health care infrastructures and government policies on health and insurance coverage, on R&D, on education and on human rights. This is why improving access requires more than simply making medicines and vaccines available at reasonable prices. To solve access challenges, even in developed countries, many stakeholders worldwide must pool resources and expertise to strengthen health care infrastructure, ensure adequate financing for health, and help build local health care capacity. Pharmaceutical companies alone cannot solve public health problems. Sustainable solutions will come from comprehensive approaches that draw on the expertise of all stakeholders.



Cross-company Accountability for Merck's Access Strategy

ACCESS STRATEGY: APPROVED BY OUR EXECUTIVE COMMITTEE



MERCK RESEARCH LABORATORIES

In determining therapeutic areas in which to focus, Merck Research Laboratories take into account three main criteria: unmet medical need and global burdens of illness, feasibility in terms of available knowledge and expertise, and commercial value.

MERCK MANUFACTURING DIVISION

Our Manufacturing Division is investing in a robust, high-quality supply chain, as well as product formulations and packaging to meet the needs of all populations, including the elderly, children and developing world populations.

GLOBAL HUMAN HEALTH

Global Human Health, including Merck Vaccines and Infectious Diseases, sets and achieves product access indicators and targets through coordination of supporting activities.

OFFICE OF CORPORATE RESPONSIBILITY (OCR)

OCR collaborates with senior, divisional and regional management to establish access strategies and provide counsel on alliance development, health policy and other issues related to global health partnerships and access, particularly in developing countries and emerging markets. (OCR is part of Merck's Global Public Policy group.)

GLOBAL PUBLIC POLICY

Global Public Policy advocates for reforms and legislation with both national and international authorities that will help expand access to medicines and health care.

REGIONAL BUSINESS UNITS

Our regional business units are measured on their ability to expand product access in their markets, including developing and middle income segments.

STOCRIN,[1] CRIXIVAN and ATRIPLA,[2] our treatments for HIV and AIDS, have received WHO prequalification. As required by the prequalification process, Merck is awaiting the inclusion of its fourth ARV, ISENTRESS, in the WHO's Expression of Interest and will be ready to submit the necessary documents. WHO prequalification is an important step toward accelerating global access because it is often required by UN agencies such as UNICEF and the Pan-American Health Organization (PAHO) that distribute products throughout developing countries, and is necessary in the absence of reliable national medicines safety authorities to certify that products meet required quality, safety and efficacy standards.

RESPONSIBLE PRICING Merck's worldwide pricing strategy aims to make our ARVs and vaccines affordable and accessible to more people by applying a differential pricing policy corresponding to countries' level of development and burdens of disease, as well as the sustainability of our business. Merck is committed to making our ARVs and vaccines available at dramatically lower prices (including selected products for which Merck does not profit) in the developing world, at significantly reduced prices in emerging markets, and at competitive prices in developed countries. We believe that our pricing approach has contributed to improving access to our medicines and vaccines, while also considering

Merck's need to continue to invest in research, development and production and to provide an attractive return to our shareholders.

» Since 2001, Merck's differential pricing policy for our HIV medicines has provided not-for-profit prices in the least developed countries and those hardest hit by the AIDS pandemic, as measured by adult HIV prevalence. Countries with a higher degree of economic development and/or lower prevalence rate receive significantly discounted prices. The prices at which patients and countries can obtain their ARVs are based on relative level of economic development, relative burden of disease, the degree to which the government is committed to treating HIV-infected people and the value Merck's ARVs provide relative to alternatives. For the most economically developed countries, Merck prices our ARV products using competitive, market-based principles.

» In 2007, Merck adopted a new developing world pricing policy for Merck vaccines, under which we offer no-profit pricing in the developing world for two of our vaccines—ROTATEQ and GARDASIL. This pricing is available to public sector markets in GAVI-eligible countries, which are among the world's least developed countries. For more developed middle income nations, Merck will provide our vaccines at tiered prices based on countries' ability to pay.

PATENTS Ninety-five percent of medicines and vaccines described as essential by the WHO are not patented in the developing world. Despite this, very few people in those countries have access to the medicines they need, which demonstrates that patents are not the barrier to access. Rather, other factors such as lacking health care infrastructures create practical barriers to care.[3] Intellectual property protection, including that afforded through patent systems, provides a critical incentive for innovative pharmaceutical companies to perform the risky and costly research and development required to bring new medicines to market. Incentives to innovation generally are a key driver for country competitiveness, and help to foster economic development and social prosperity. For these reasons we support and advocate for effective intellectual property protection in developing as well as developed countries. Our policy and our practices recognize the public health flexibilities contained in the TRIPS agreement. Nevertheless, these flexibilities were designed to provide exceptions to the general rules. If they become the rule, then incentives for innovation in vital new drugs will be reduced in ways that could affect all countries and lead to a decline in biomedical innovation. It is also important to note that Merck believes that once a patent has expired on any of our products, that patented invention should be in the public domain, available for use by others.

LICENSING Merck considers licenses for our medicines and vaccines to help increase their availability, but to grant such licenses we must first ensure that the licensee's product is of sufficiently high quality and that they will be able to assure uninterrupted supply. To date, Merck has granted royalty-free licenses of our ARV efavirenz to five South African generic manufacturers, of which four are currently on the market.

EXTERNAL MANUFACTURING APPROACH Merck is committed to seeking additional ways to reduce the cost of our medicines and vaccines and increase access for people living in the world's poorest countries. These include working with external manufacturers and suppliers to achieve incremental efficiencies and to reduce or waive the royalty on vaccine doses sold in the developing world.

INFRASTRUCTURE AND CAPACITY BUILDING THROUGH PUBLIC/PRIVATE PARTNERSHIPS A key element of Merck's access strategy is promoting and participating in public/private partnerships (PPPs) with local communities, governments, non-governmental organizations (NGOs), multilateral organizations and other corporations to address specific health and development challenges beyond those over which Merck has direct control. Merck has three decades of experience in developing PPPs to build health care capacity and expand delivery systems. In 1987, with many partners, we launched the first large-scale, comprehensive global health initiative of its kind, the Merck MECTIZAN Donation Program (MDP) to provide the drug MECTIZAN to treat onchocerciasis, or river blindness, in countries where the disease is endemic. Merck has applied our experience with the MDP to programs and partnerships around the world that are helping to prevent and treat HIV and AIDS, other chronic conditions and vaccine-preventable illnesses. More on our approach to PPPs on p. 56.

PRODUCT DONATIONS Merck does not believe that donating medicines and vaccines is a sustainable solution to the global challenge of access to medicines and vaccines. However, we recognize that the millions of patients who need medicines and vaccines now cannot wait. And, in emergency situations and as part of disease elimination programs, donations are an important mechanism for expanding access for a specific period of time. For these reasons, Merck remains committed to donating our products through the Merck Medical Outreach Program, the MDP and our U.S.-based Patient Assistance Programs (see p. 28).

ACCESS STRATEGY COMMITMENTS

» We plan to report on our access to medicines and vaccines performance annually.

» We plan to continue to expand our supply chain through qualified local partners, to help ensure sustainable, high-quality and affordable supplies of our medicines and vaccines to all of our customers.

» We plan to ensure that all of our access PPPs have stated targets and effectiveness measures by the end of 2010.

The Access to Medicines Index (ATMI) ranked Merck No. 3 and the only U.S. pharmaceutical company in the top seven in its inaugural index launched in June 2008. The Index is evolving and we are committed to working with the ATMI and other organizations, including the Global Reporting Initiative , to develop meaningful measurement tools for our industry.

IMPROVING ACCESS IN THE DEVELOPING WORLD AND EMERGING MARKETS

Merck is helping to improve and accelerate access to our products in least developed countries where access is most lacking. Middle income countries and emerging markets such as China, Brazil, South Africa and India offer opportunities to expand our business and make our medicines and vaccines available to new patients as health care systems and infrastructures evolve. Beyond our responsible pricing approach, we are developing new ways of doing business in these markets, including more aggressive registration strategies (see p. 18), new licensing and external manufacturing arrangements, and building health care capacity.

HEALTH CARE CAPACITY-BUILDING

Since 1990, sub-Saharan Africa has been losing 20,000 health care workers a year to other destinations. This hemorrhaging of skills means that Africa has to spend about $4 billion every year on employing non-African expatriates instead. In addition to PPPs on HIV and AIDS and immunizations, Merck is engaged in a number of initiatives to address the broad

Merck Medical Outreach Program

MMOP
PERFORMANCE DATA SUMMARY 2005–2007

GLOBAL	2007	2006	2005
Number of countries reached by the Merck Medical Outreach Program	104	103	98
Total value of product donations ($US)*	125M	46M	54M
Number of disaster relief efforts assisted	6	2	4
Total value of disaster relief contributions (product) ($US)	3.3M	2.6M	12.2M†

* We value our product donations based on the U.S. wholesale price.

† 2005 was unprecedented in terms of disaster relief and included efforts in the wake of the tsunami that struck southeast Asia, hurricanes Katrina and Rita, a major earthquake in Pakistan and floods in Guatemala.

Now in its 50th year, the Merck Medical Outreach Program (MMOP) is the primary mechanism through which Merck donates our pharmaceuticals and vaccines for humanitarian assistance in the developing world and in support of disaster relief and emergency situations worldwide. The MMOP is one of the ways Merck helps to expand access to medicines and vaccines, especially in the developing world.

The scope of the MMOP varies from year to year and is influenced by changing medical needs in developing countries, the quantity of Merck medicines available for donation, and the random nature of natural and man-made disasters globally. More on MMOP at www.merck.com/mmop.

issue of health care capacity-building in the developing world, focused specifically on health care training.

- We participated in the Task Force on Education and Training of the Global Health Workforce Alliance to explore practical solutions for scaling up massively the education and training of health workers, recognizing that many have a part to play in the global health workforce crisis: governments, educational leaders, international development partners and donors, local partners and the public and private sectors.[4]
- Merck is also a member of the Global Health Initiative (GHI) of the World Economic Forum, which aims to engage businesses in PPPs to tackle HIV and AIDS, TB, malaria and health systems. Merck is engaged in several GHI initiatives, including a program to help build business and management skills among health care workers at the local and district levels in Africa.[5]

WHO'S GUIDELINES FOR DRUG DONATIONS

Merck played an important role in the development of the WHO's Guidelines for Drug Donations through our involvement in the Partnership for Quality Medical Donations, an alliance of private voluntary organizations and medical product manufacturers dedicated to raising standards of medical donations to meet the needs of underserved populations and disaster victims around the world.[6] In donating our products, Merck conforms fully to the WHO Guidelines.[7] We have also worked with the World Economic Forum to develop new industry guidelines for donations in disaster situations.[8]

PERFORMANCE IN THE DEVELOPING WORLD

Merck is basing our performance in 2008 on setting targets for R&D, policy, pricing and supply chain management, with the goal of maximizing the reach and public health impact of our products. We are particularly focused on registration and WHO prequalification for our products, and on increasing the number of countries that use our products in their government access programs. We plan to expand our reporting in future reports.

> *The unique and broad-based partnership that has evolved around onchocerciasis control is extremely important and helpful to the invermectin [MECTIZAN] mass treatment efforts, bringing about results that no single party could achieve…Much of the experience gained in the development of ivermectin treatment can usefully be applied in the recent broader perspective of control of neglected tropical diseases.*
>
> B. Thylefors, M. M. Alleman and N. A. Y. Twum-Danso, *Tropical Medicine and International Health.*[9]

MERCK MECTIZAN DONATION PROGRAM

One of the most significant initiatives undertaken by Merck to help improve access to medicines in developing countries is the Merck MECTIZAN Donation Program (MDP), established more than 20 years ago to treat river blindness (onchocerciasis). The MDP is the largest ongoing disease-specific drug donation program and public/private partnership of its kind in history, and is widely regarded as one of the most successful public/private health collaborations in the world.

Since the program's inception, Merck has donated more than 2.1 billion tablets of MECTIZAN, with more than 600 million treatments administered. The program currently reaches more than 80 million people in Africa, Latin America and the Middle East (Yemen) each year for the treatment of river blindness; an estimated 50 million additional treatments of MECTIZAN were approved last year by the MECTIZAN Expert Committee/Albendazole Coordination for lymphatic filariasis through Merck's work with the Global Alliance to Eliminate Lymphatic Filariasis.

In November 2007, public health officials announced that transmission of river blindness had been halted in Colombia, the first time that the disease has been eliminated as a public health problem on a countrywide basis anywhere in the world. Health officials also announced that river blindness transmission has been halted in certain endemic areas in Ecuador and Guatemala. The success in Latin America means that almost 75,000 people in 190 communities are now free of the threat of river blindness, and signals the potential for elimination of river blindness in all of the Americas.

Building on this, in December 2007, Merck pledged up to $25 million toward a new initiative with the World Bank and other partners to help eliminate the disease in 28 African countries. We estimate that Merck's donation of MECTIZAN for river blindness will reach 100 million treatments annually by 2010.

More on the MDP, its performance and impacts at www.merck.com/cr/mectizan.

ACCESS TO MEDICINES AND VACCINES
PERFORMANCE DATA SUMMARY 2005–2007

GLOBAL	2007	2006	2005
Number of Merck products for which not-for-profit prices are offered to least developed countries	6	2	2
Number of patients on Merck ARV therapy—all formulations, all products (percentage in developing world)	763,118 (91)	701,391 (93)	N/D
Number of countries and territories in which patients are on at least one formulation of Merck's ARVs	135	125	N/D
Product donations ($US) (percentage in the developing world)*	766M (79)	768M (58)	979M (45)

N/D: No data available because we did not track the information in this way before 2006.

* We value our product donations based on the U.S. wholesale price. Decrease in product donations is due in large part to decline in patient enrollment in our corporate U.S. Patient Assistance Program attributed in part to an increasing number of patients with prescription drug coverage (including through the Medicare Prescription Drug Program, which began January 1, 2006).

MERCK'S COMMITMENT TO THE MILLENNIUM DEVELOPMENT GOALS

We believe we can help achieve the United Nations' Millennium Development Goals (MDGs). To this end, we have endorsed the business "Call to Action on the Millennium Development Goals" launched at the World Economic Forum in January 2008[10] and have assessed our contributions to the health care-related MDGs.

REDUCING CHILDHOOD MORTALITY BY 2015 (GOAL 4)

- Our pediatric vaccines help protect millions of children from many common and serious childhood diseases including rotavirus, Haemophilus influenzae type b (Hib), hepatitis A and B, chickenpox, measles, mumps, rubella, and human Papillomavirus (HPV).
- We participate in numerous public/private partnerships focused on improving childhood mortality. For example, with the GAVI Alliance and the Merck Vaccine Network-Africa we aim to build capacity in immunization services to prevent childhood diseases.
- We include pediatric clinical trials in all of our product development strategies worldwide, where relevant, including for our HIV and AIDS medicines.

HALTING AND BEGINNING TO REVERSE THE SPREAD OF HIV/AIDS BY 2015 (GOAL 6, TARGET 7)

- For more than 20 years, Merck has been at the forefront of the effort to respond to the pandemic and today markets four ARVs. Merck has also licensed four compounds to the International Partnership for Microbicides[14] (IPM) to help prevent HIV infection in developing countries.
- Our differential pricing policy is designed to ensure that infected people in the least developed countries and those hardest hit by the HIV and AIDS pandemic can obtain Merck ARVs at prices at which Merck makes no profit.
- Merck is a founding member of the UN/Industry Accelerating Access Initiative (AAI), a cooperative endeavor of five multilateral organizations and nine research-based pharmaceutical companies begun in 2000 to help improve access to more affordable HIV-related medicines and diagnostics for developing countries and those hardest hit by the HIV pandemic.[11]

DEVELOPING PUBLIC/PRIVATE DEVELOPMENT PARTNERSHIPS TO IMPROVE ACCESS TO MEDICINES IN DEVELOPING COUNTRIES (GOAL 8, TARGET 17)

- Merck has been a pioneer in developing public/private partnerships to foster access to medicines and vaccines in developing countries around the world.
- In 1987, Merck made a commitment to donate our drug MECTIZAN for the treatment of river blindness (onchocerciasis) to all who need it for as long as necessary. Working through a unique, multisectoral partnership involving the WHO, the World Bank and UNICEF, ministries of health, NGOs and local communities, today the program reaches more than 80 million people a year in 34 endemic countries.
- Working in partnership with the Government of Botswana, the Bill & Melinda Gates Foundation, the Government of China and many others, Merck has helped to establish trailblazing programs to address HIV and AIDS worldwide. Merck is applying the lessons learned through these programs to projects elsewhere to assist others in addressing the challenges of the disease.

PUBLIC POLICY RELATING TO ACCESS IN THE DEVELOPING WORLD

To help inform our decision making and to understand how best we can contribute to global health challenges, we actively engage with external stakeholders with other perspectives and experience. We also participate in numerous high-level forums, including:

- The Medicines Transparency Alliance (MeTA), established by the U.K. Department for International Development in 2008, which aims to build transparency and accountability around the selection, procurement, sale and distribution of essential medicines, and to tackle the excessive markups, corruption and mismanagement that cause good quality medicines to be either too expensive or unavailable for hundreds of millions of people in developing countries.[12]
- The Global Fund Technical Working Group on In-Kind Donations, comprised of representatives from all sectors including private, academic and NGOs, which is examining the Global Fund's acceptance of donations of in-kind goods.[13]
- We have also engaged in small group discussions with individual stakeholders, as well as larger events such as the 2008 Infectious Diseases Summit.[14]

PRIORITIES FOR THE FUTURE IN RELATION TO THE DEVELOPING WORLD

- We are expanding our presence in developing countries and emerging markets and are exploring business and financing models for all our products to reach new populations.

VACCINES IN RESOURCE-CONSTRAINED SETTINGS

A unique challenge in introducing new vaccines in resource-constrained settings is the need to demonstrate the feasibility of mass immunization among the targeted population and the public health benefit in terms of health and economic outcomes of immunization. This information is vital to countries' decision-making and prioritization-setting processes for scarce health resources. We are systematically encouraging and facilitating the widespread adoption of our new vaccines by establishing precedents that demonstrate the ease of introduction and the benefits of our products in resource-constrained countries. We are also researching formulations for resource-poor settings to address the need for heat resistance and less packaging to simplify transportation and storage.

FOCUS ON IMPROVING ACCESS TO VACCINES AND IMMUNIZATION IN DEVELOPING COUNTRIES

Because of lacking health care infrastructure, preventive measures such as immunizations are critical to the health and economies of developing countries. But they are difficult to deliver. By making our vaccines more accessible, and helping to build health care capacity, Merck continues to make progress in preventing disease and saving lives.

Merck manufactures 11 vaccines aimed at preventing 12 communicable diseases, particularly in children (see table on the inside back cover). We are also making vaccines for diseases that affect older people, such as shingles. We believe that our research and scientific advances will lead to new generations of vaccines.

To ensure that our vaccines reach those who need them we continue to develop novel business strategies and work with many partners in public/private collaborations to improve the health care infrastructure needed to implement immunization programs.

ACCESS TO VACCINES
PERFORMANCE DATA SUMMARY 2005–2007

GLOBAL	2007	2006	2005
Number of countries where Merck has committed to no-profit prices for ROTATEQ and GARDASIL	72	N/A	N/A*
Number of low and middle income countries using Merck's vaccines in their public sectors	11	N/R	N/R
Number of vaccines (registered in number of countries)	11 (100)	N/R	N/R
Number of doses sold worldwide of ROTATEQ, GARDASIL and MMRII	46.5M	N/R	N/R
» In high Human Development Index (HDI) countries	44M	N/R	N/R
» In medium HDI countries	1.6M	N/R	N/R
» In low HDI and GAVI countries	500,000	N/R	N/R
Number of country registrations of GARDASIL and ROTATEQ globally (and cumulative)	62 (164)	101 (102)	1 (N/A)
» In high HDI countries	23	81	1
» In medium HDI countries	23	13	0
» In low HDI and GAVI countries	16	7	0
Partnership data:			
» Merck investment in Merck Vaccine Network–Africa (MVN–A) ($US)	1M	400,000	400,000
» Number of health care professionals trained through MVN–A	97	97	89
» The Merck-Nicaraguan Ministry of Health ROTATEQ Partnership			
» Total doses of vaccine delivered as 1st, 2nd or 3rd dose	291,797	20,325	N/A†
» Total doses of ROTATEQ delivered as 3rd dose (fully vaccinated child)	87,611	0	N/A
» Vaccine coverage (% receiving 3rd dose of ROTATEQ) among Nicaraguan infants	80	0	N/A

* Merck did not have a no-profit vaccine pricing policy prior to 2007. † Program did not exist prior to 2006.

By the end of June 2008, ROTATEQ was approved in 85 countries and launched in 48. Also as of end of June 2008, GARDASIL was approved in 103 countries, many under fast-track or expedited review, of which 19 are GAVI-eligible. The vaccine remains under review in approximately 30 other countries and territories. In June 2008, the GAVI Alliance included HPV vaccines on its list of vaccines for potential future investment.

PPPS FOCUSED ON VACCINES

Merck is a founding partner in the GAVI Alliance. Formed in 1999, GAVI is an unprecedented public/private partnership whose mission is to mobilize resources quickly that support the widespread use of vaccines—and save children's lives.[15]

MERCK VACCINE NETWORK–AFRICA (MVN–A) As part of our commitment to the GAVI Alliance, Merck initiated the Merck Vaccine Network–Africa (MVN–A). A multiyear philanthropic initiative, MVN–A supports the development of sustainable immunization training centers in Africa by providing immunization program managers with hands-on training in vaccine management and immunization services. Initial centers were established in 2003 in Kenya and Mali. In 2007, The Merck Company Foundation expanded the program to two more immunization training centers in Uganda and Zambia. More on MVN–A at www.merck.com/cr/mvna.

MERCK-NICARAGUAN MINISTRY OF HEALTH ROTATEQ PARTNERSHIP Rotavirus is a leading cause of severe acute gastroenteritis in children and results in more than 2 million hospitalizations and nearly 600,000 deaths among children under five worldwide each year.[16] Eighty percent of rotavirus-related deaths occur in developing countries. In 2006, Merck and the Nicaraguan Ministry of Health announced a new partnership through which all eligible infants born in Nicaragua in a three-year period will receive free doses of ROTATEQ, our vaccine to help prevent rotavirus. This demonstration program also marks the first time there was access to a vaccine in a developing country in the same year it was first licensed in a developed country. To date, the country has achieved one of the highest rotavirus vaccination rates in the world. Since this effort began, hospitalizations for diarrhea and dehydration have been considerably lower. More than 1 million doses of ROTATEQ are expected to be distributed by the end of 2009, valued at $75 million. Approximately 80 percent of eligible children in Nicaragua were vaccinated with ROTATEQ in 2007.

GARDASIL ACCESS PROGRAM Cervical cancer takes the lives of more than 250,000 women a year, 80 percent of whom live in developing countries.[17] In 2007, Merck announced our pledge to donate at least 3 million doses of GARDASIL, Merck's cervical cancer vaccine, to support vaccination programs in the lowest-income, GAVI-eligible countries during the next five years.

More on our developing world immunization programs at www.merck.com/cr/accessvaccines.

VACCINE PRIORITIES AND TARGETS FOR THE FUTURE

» Merck plans to continue to work with international groups such as the GAVI Alliance to facilitate introduction of our vaccines in the world's poorest countries.

FOCUS ON IMPROVING ACCESS TO HIV AND AIDS TREATMENT AND CARE IN DEVELOPING COUNTRIES

Significant progress has been made in addressing HIV and AIDS in recent years, including increasing access to ARV medicines around the world. But AIDS remains one of the leading causes of death globally and the primary cause of death in Africa. As more people become infected each year, it will become increasingly challenging to ensure everyone has access to the medicines they need. The solution lies in a multifaceted approach that addresses both treatment and prevention, with the public and private sectors working together toward a common goal. Merck believes that the pharmaceutical industry has an important role to play as part of this solution.

RESEARCH & DEVELOPMENT INTO HIV AND AIDS TREATMENTS

Since 1985, Merck's intensive, broad-based HIV and AIDS clinical research program has sought to address both treatment and prevention. In addition, we have partnered with other researchers and scientific organizations to accelerate the search for new treatments and possible cures.

In 1988, Merck scientists established the role of protease in the HIV life-cycle, were the first to publish the crystal structure of HIV protease shortly thereafter, and were among the first to discover and develop medicines for the treatment of HIV and AIDS, including CRIXIVAN and STOCRIN. Merck's work in the early phase of HIV research played an important role in collaboration with others in defining the principles for

HIV AND AIDS ACCESS
PERFORMANCE DATA SUMMARY 2006–2007

GLOBAL	2007	2006
Number of patients on Merck ARV therapy—all formulations, all products (percentage in developing world)	763,118 (91)	701,391 (93)
Percentage of total patients on Merck ARVs estimated to be children taking pediatric formulations	15	19
Percentage of total patients using Merck ARVs at prices at which Merck does not profit	82	74
Percentage of total patients using Merck ARVs at significantly discounted prices	8	18

combination ARV treatment to suppress the virus to undetectable levels, which continues to be the gold standard for treatment today.

In 2006, a partnership among Merck, Bristol-Myers Squibb and Gilead to develop a once-daily single tablet regimen to simplify HIV treatment resulted in the U.S. approval of ATRIPLA. Merck and Gilead are working to register and distribute ATRIPLA in 106 developing countries where convenient treatment options are critical to patient compliance and adherence to therapy.

In 2007, Merck's efforts to address the growing problem of multidrug resistance led to the U.S. approval of ISENTRESS, the first integrase inhibitor and the first ARV treatment to target the integrase enzyme, which is essential for HIV replication.

Given the characteristic of HIV to develop resistance to treatment, continued research into new therapies is critical. That is why Merck remains focused on developing new treatments for millions of individuals who are already infected with HIV. Key areas of focus include promising new ARV mechanisms, agents with improved tolerability and combinations that enable optimal compliance.

For Merck's work on treatments for children living with HIV, go to www.merck.com/cr/accesshivaids.

UPDATE ON REGISTRATION

Merck is committed to rapid registration of our ARVs, including in those countries most affected by HIV and AIDS. Currently, Merck ARVs are registered or available through import in more than 160 countries, including 124 developing countries, of which 69 are countries in which Merck sells our ARVs at a price at which we make no profit and 40 are countries in which we sell our ARVs at significant discounts. A complete list of country registrations is available at www.merck.com/cr/accesshivaids.

PUBLIC POLICY AND STAKEHOLDER ENGAGEMENT

Merck actively engages with stakeholders involved in HIV and AIDS outreach and public policy. In the United States, we established an HIV Community Advisory Board to discuss new data, clinical trial design, and marketing and access strategies. Merck also meets regularly with the European Community Advisory Board of the European AIDS Treatment Group to discuss similar issues. Over and above this, we engage with stakeholders at scientific and policy events such as the International AIDS Conference of the International AIDS Society, and in initiatives to inform HIV and AIDS-related public policy discussion, such as AIDS2031—a consortium of partners which aims to change the face of the pandemic by 2031.[18]

In addition, as a member of the Private Sector Delegation of the Global Fund since 2002, Merck has helped to expand the Global Fund's engagement with the private sector through co-investment, involvement in country coordinating mechanisms, resource mobilization, policy and advocacy.

PERFORMANCE IN IMPROVING ACCESS TO OUR HIV AND AIDS MEDICINES

Merck believes that the most relevant measure of the success of our ARV access strategy is the number of patients treated, and where they are treated (developing versus developed countries). Starting in 2007, we began to track patients treated by pricing category, region and registration status and plan to report trend data in the future.

As of July 1, 2008, more than 777,000 patients in 125 countries and territories were being treated with regimens containing at least one of Merck's ARVs. About 80 percent obtained these ARVs in the more than 80 countries in which we sell them at a price at which Merck does not profit. An additional 7 percent received Merck ARVs in countries where they are offered at significantly discounted prices. Nine out of 10 patients using Merck ARVs live in developing countries in Africa, Asia, Latin America and the Caribbean. Of those being treated with Merck ARVs, as of July 2008, there are an estimated 96,600 children using pediatric formulations, representing 13 percent of all patients on Merck ARVs.

THE SEARCH FOR AN HIV VACCINE

Pharmaceutical and vaccine research and development are highly risky undertakings and therefore setbacks are common. In September 2007, Merck announced that vaccination in a phase II clinical trial of the Company's investigational HIV vaccine (V520) was being discontinued because the vaccine was not effective. While Merck's decade-long effort to develop a HIV vaccine has ended, the Company remains deeply committed to analyzing the data and sharing it as broadly and as quickly as possible to add to the knowledge base for the entire field of HIV vaccine research. For more information, go to www.merck.com/cr/accessvaccines.

CASE STUDY

> *This partnership has demonstrated to the world what can be done…*
>
> **Stephen Lewis**
> Special Advisor to the UN Secretary General on AIDS in Africa 2001–2006

African Comprehensive HIV/AIDS Partnerships (ACHAP)

ACHAP was founded in 2000 as a joint effort of the Government of Botswana, the Bill & Melinda Gates Foundation and The Merck Company Foundation/ Merck & Co., Inc. ACHAP aims to support and enhance Botswana's response to the HIV and AIDS epidemic through a comprehensive approach to prevention, care, treatment and support. The Merck Company Foundation and the Gates Foundation each have committed $56.5 million to the partnership through the end of 2009. In addition, Merck is donating anti-retroviral medicines to Botswana's national anti-retroviral (ARV) treatment program for the partnership's duration.

From the beginning, Merck and the Gates Foundation sought to create a program that would leverage private-sector management expertise to resolve social and public health issues. They also hoped to create a successful pilot program that could serve as a model to inform and encourage others to address HIV and AIDS elsewhere.

In 2007, ACHAP expanded its support to target coinfection of HIV and tuberculosis (TB).

PERFORMANCE AND IMPACT

ACHAP demonstrates how public/private partnerships can make a meaningful and lasting contribution to a national public health challenge.

TESTING AND TREATMENT Botswana was the first country in Africa to roll out a nationwide public ARV treatment program, which is today one of the largest on the African continent with 32 clinics and 60 satellite facilities. As of April 2008:

- More than 100,000 patients were receiving ARV treatment; this is approximately 85 percent of the population needing treatment, up from less than 5 percent when the program began. Botswana has one of the highest ARV coverage rates in Africa and in the developing world. It is one of only three African countries to have achieved universal access, as defined by WHO and UNAIDS.
- AIDS mortality and AIDS-related deaths have been halved since the treatment program commenced.
- At approximately 90 percent, adherence to treatment is among the highest in the world.

HEALTH WORKER TRAINING AND INFRASTRUCTURE DEVELOPMENT
To assist the national ARV program, the partnership has supported the development of laboratory capacity to test and monitor patient response to treatment. Laboratory capacity has grown to enable more than 20,000 patients per year to be tested, with a turnaround time to receive test results dropping from about 6 weeks to just a few hours in many centers. Information technology systems have also been developed to track patient adherence.

The partnership has collaborated with Harvard University and the Botswana Ministry of Health to provide training for more than 5,500 of Botswana's health care workers on clinical care fundamentals. More than 3,200 physicians and other health care professionals have received clinic-based training from international HIV and AIDS experts through ACHAP's preceptorship program, which has now been incorporated into the ongoing national clinical training program managed by the Government of Botswana.

PREVENTION ACHAP has also supported a number of prevention efforts and is supporting the development of a national plan to scale up prevention, under the leadership of the National AIDS Coordinating Agency.

There is still much to do. HIV antenatal prevalence rates have shown a downward trend, particularly in the 15–19 age group, which has shown a 30 percent reduction in HIV prevalence among pregnant women (from 24.7 percent to 17.2 percent) between 2001 and 2007. The percentage of HIV-positive infants born to HIV-positive mothers declined from 40 percent to 4 percent between 1999 and 2006, in large part due to the successful ARV treatment program established for pregnant women as well as the use of routine (with opt-out) testing, first used in Botswana in 2004 and now widely adopted elsewhere around the world.

FUTURE PRIORITIES AND CHALLENGES

Priorities for ACHAP in 2008 and beyond include scaling up prevention efforts, continued strengthening of the ARV treatment program, incorporating TB into the program, and further strengthening of testing and post-test services. More on ACHAP at www.merck.com/cr/achap.

PRIORITIES FOR IMPROVING ACCESS TO OUR HIV AND AIDS MEDICINES

» Merck plans to continue to investigate opportunities to reduce the cost of our ARVs for people living in the world's poorest countries and those hardest hit by the pandemic, including through partnering with external manufacturers and suppliers to achieve incremental efficiencies.

» We remain committed to continued R&D investment in new treatments for HIV.

For details of the many other HIV and AIDS partnerships and programs that we support, go to www.merck.com/cr/hivaidspartnerships.

IMPROVING ACCESS IN DEVELOPED COUNTRIES

Even in the most developed countries, not all people have access to the medicines, vaccines and quality health care they need. Despite sophisticated approval, regulatory and distribution processes, access to medicines in developed countries can be hindered by lack of insurance coverage, reimbursement and pricing approval processes, and government policies that seek to cut costs but can often limit patient and physician choice.

We believe that access can be increased by expanding health care coverage that allows citizens greater access through health insurance systems, by pricing our products responsibly, and, where necessary, by donating our products to those who lack health care coverage. We also promote and participate in public/private partnerships to address chronic disease and other complex health challenges.

PUBLIC POLICY AND ADVOCACY

Our business approach is strongly supported by our health care reform advocacy efforts. Merck advocates for rapidly improving access to medicines, vaccines and quality health care, using health care resources efficiently, and supporting continued innovation and development of important new treatments.

In Europe, Merck has advocated for these goals through public policy forums and publications, such as:

» The WHO Health for All (health targets) initiative, encouraging a "management by objectives" approach to health policy decision making and the efficient use of resources, which would also make "headroom" for greater access to innovative medicines.[19]

» The European Health Forum Gastein, a congress of stakeholders from government, academe, industry, patients and the NGO community, that we have supported for 10 years. In 2007, Merck organized a parallel forum on the increasing burden of chronic disease and the need for policies that more efficiently allocate health care resources.[20]

» Merck supported the "Bremen Process" Declaration on HIV and AIDS in 2007, led by the German Presidency of the European Union, which called on public health stakeholders to work together to assist poorer populations of Central and Eastern Europe.[21]

In the United States our public policy focus is on health care coverage for the uninsured: more than 45 million Americans—including 11 percent children—who in 2007 did not have health insurance and were at risk of missed health care, premature death and medical debt.[22] Merck believes that all Americans—regardless of age or income—should have access to quality, affordable health insurance coverage.

CASE STUDY

Merck Childhood Asthma Network (MCAN)

MCAN was established in 2005 to address the complex and growing problem of pediatric asthma in the United States. Funded by The Merck Company Foundation, the mission of MCAN is to support and advance evidence-based programs that improve the quality of life for children with asthma and their families and to reduce, through dissemination of effective interventions, the burden of the disease on them and society.

MCAN supports childhood asthma programs in New York City, Los Angeles, Chicago, Philadelphia and San Juan, Puerto Rico. An independent research group is rigorously evaluating the programs to provide important insight into the effectiveness of implementing evidence-based asthma interventions in communities.

Through a partnership managed by the Foundation for the NIH, MCAN supports the Head-off Environmental Asthma in Louisiana (HEAL) Project with the National Institute of Environmental Health Sciences and the National Center for Minority Health and Health Disparities. The HEAL project aims to evaluate the effectiveness of interventions in a natural disaster setting and to learn about the effects of mold and other allergens on children with asthma.[23]

More on MCAN at www.mcanonline.org.

MCAN
PERFORMANCE 2006–2007

	2007	2006
Number of children enrolled in evidence-based interventions implemented by MCAN grantees	793	337
Number of children/families who received asthma education through MCAN	1,144	1,036
Number of health care providers who received asthma education through MCAN	146	127

More on our public policy positions and advocacy at www.merck.com/about/public_policy/home.html.

U.S. PHILANTHROPIC INITIATIVES AND PROGRAMS

Merck believes that donating medicines and vaccines is not a sustainable solution to the access challenge in the United States. We work with government and private sector partners to help find long-term policy approaches that make health coverage available to the people who need it. However, until there is agreement on these, Merck has several programs to help. To learn more about these programs or to apply, visit www.MerckHelps.com.

» **U.S. PATIENT ASSISTANCE PROGRAMS (PAP)** Merck has provided those who cannot afford their medicines and vaccines with more than 26 million free prescriptions and vaccines, representing a total value (Wholesale Acquisition Cost) of more than $1.7 billion in the past six years.

» **MERCK PRESCRIPTION DISCOUNT PROGRAM** Uninsured patients regardless of age or income have easy access to discounts of at least 15 percent on many Merck medicines through most U.S. pharmacies. Enrollment is free and there is no annual membership fee.

» **PARTNERSHIP FOR PRESCRIPTION ASSISTANCE (PPA)** This pharmaceutical industry initiative helps low-income, uninsured patients get free or nearly free brand-name medicines. The PPA website provides information and access to more than 475 public and private patient assistance programs, including some 200 programs offered by companies like Merck. To date, the PPA has helped more than 5 million patients.[24]

More on the performance and impacts of our prescription assistance initiatives in the United States at www.merck.com/cr/usaaccess.

PUBLIC/PRIVATE PARTNERSHIPS IN THE UNITED STATES

In the United States, many of the partnerships we support address chronic diseases that require long-term treatment. Here are some examples.

THE MERCK ALLIANCE TO REDUCE DISPARITIES IN DIABETES In early 2008, The Merck Company Foundation launched this major multiyear program with a $15 million commitment to address the growing problem of health care disparities in the context of type 2 diabetes in the United States among minority, low-income and underserved adult populations. The Alliance will work with many partners to develop and implement comprehensive, evidence-based diabetes programs that will help decrease health care disparities and enhance the quality of health care by improving diabetes prevention and management services.[25]

IMPROVING CERVICAL CANCER EDUCATION AND RESOURCES Merck joined in April 2008 with other public and private-sector organizations to establish One4One, focused on empowering women in the fight against cervical cancer.[26]

U.S. PATIENT ASSISTANCE PROGRAMS PERFORMANCE 2005–2007

	2007	2006	2005
Number of patients utilizing Merck's patient assistance program*	350,000	540,240	730,000
Number of prescriptions filled under Merck's PAP	>1.6M	>3.4M	6.9M
Total value of Merck medicines dispensed under Merck's PAP	$161.5M	$326M	$502M

* Decrease due in part to increasing number of patients with prescription drug coverage (including through the Medicare Prescription Drug Program, which began January 1, 2006.)

FOCUS ON IMPROVING ACCESS TO HEALTH CARE INFORMATION

For more than 100 years, Merck has provided unbiased and independently reviewed health information through *The Merck Manual* to the public and to health care professionals. Today, *The Merck Manual* is the world's best-selling medical text. Now in its 18th edition, the Manual has been translated into 17 languages. *The Merck Manual – Home Edition* provides the benefits of *The Merck Manual* for the general public. Now in its second edition, it has been translated into 14 languages. Merck provides the content of *The Merck Manuals* on www.merck.com for free. For more information on our work to improve access to health care information, go to www.merck.com/cr/healthcareinformation.

FUTURE CHALLENGES FOR IMPROVING AND ACCELERATING ACCESS WORLDWIDE

While much progress has been made, much remains to be done:

- **HEALTH CARE REFORM** We will continue actively to support health system reform worldwide.
- **HEALTH CARE CAPACITY** Lack of skilled health care professionals will continue to limit countries' ability to diagnose and treat disease and provide ongoing care to citizens. Merck will continue to work through partnerships to help strengthen health care capacity worldwide.
- With the availability of many new products, purchasers face a growing challenge to prioritize and balance scarce health care resources. To inform and enable customer decisions, we will continue to work with partners to demonstrate the benefits of our products and to assess health care infrastructure capacity and needs, including immunization program effectiveness.
- Challenges to the patent system remain, therefore we will continue to advocate at the national and international level for strong intellectual property protection in developing and developed countries.
- In recent years, new funding and collaboration mechanisms to help accelerate access to medicines and vaccines in the developing world have become available, including the Global Fund for HIV/AIDS, TB and Malaria,[27] the U.S. President's Emergency Plan for AIDS Relief (PEPFAR),[28] the international drug purchase facility UNITAID,[29] the Clinton HIV/AIDS Initiative[30] and the GAVI Alliance.[31] We support these mechanisms, as well as Advance Market Commitments, priority review vouchers, the International Financing Facility for Immunization (IFFIM)[32] bond floating and other innovative mechanisms that hold great promise in expanding access to much-needed vaccines in the developing world. Despite these promising developments, financing of medicines and vaccines globally is likely to remain challenging for years to come.

MORE INFORMATION ONLINE

You can find more information on the issues covered in this section, as well as on the following topics, at www.merck.com/cr/access.

- MECTIZAN Donation Program
- Merck Medical Outreach Program
- Merck Vaccine Network — Africa
- African Comprehensive HIV/AIDS Partnerships
- China-MSD HIV/AIDS Partnership
- Additional HIV and AIDS partnerships
- ROTATEQ and GARDASIL access programs
- Product registration information
- Pediatric formulations and indications
- The Merck Alliance to Reduce Disparities in Diabetes
- The Merck Childhood Asthma Network
- Responsible pricing of our products
- Efforts to improve access to health care information

ENDNOTES

1 Efavirenz is marketed by Bristol-Myers Squibb as Sustiva in the United States, Canada and certain European countries, and by Merck in the rest of the world as STOCRIN.

2 ATRIPLA is marketed by Bristol-Myers Squibb and Gilead in the United States, Canada and Europe. Merck and Gilead are working to register and distribute ATRIPLA in 106 developing countries around the world.

3 Attaran A. How Do Patents And Economic Policies Affect Access To Essential Medicines In Developing Countries? Health Affairs 2004;23(3):155-166

4 World Health Organization. Global Health Workforce Alliance. Scaling Up, Saving Lives. Geneva, WHO, GHWA, 2008 (available at: www.who.int/workforcealliance/documents/Global_Health%20SUMMARY.pdf)

5 www.weforum.org/en/initiatives/globalhealth/index.htm

6 www.pqmd.org

7 World Health Organization. Guidelines for Drug Donations. Geneva, WHO, 1999 (available at www.whqlibdoc.who.int/hq/1999/WHO_EDM_PAR_99.4.pdf)

8 www.ochaonline.un.org/Default.aspx?alias=ochaonline.un.org/businesscontributions

9 Thylefors B, Alleman MM, Twum-Danso NAY. Operational Lessons from 20 Years of the MECTIZAN Donation Program for the Control of Onchocerciasis. Trop.Med.Int. Health 2008; 13(5):689-696

10 World Economic Forum Press Release, 2008 (available at www.weforum.org/en/media/Latest%20Press%20Releases/LatestPressReleasesSearch/World_Leaders_Issue)

11 www.who.int/hiv/pub/prev_care/aai/en

12 www.medicinestransparency.org

13 Private Sector Delegation to the Board of the Global Fund to Fight AIDS, TB and Malaria. Mobilizing Additional Resources for the Global Fund: A Planning Guide for the Private Sector. Geneva, The Global Fund, 2005 (available at: www.theglobalfund.org/en/files/about/replenishment/private_sector_report_3rdreplenishment.pdf)

14 www.aafsummit.org

15 www.gavialliance.org

16 Parashar UD, Hummelman EG, Bresee JS, Miller MA, Glass RI. Global illness and deaths caused by rotavirus disease in children. Emerg Infect Dis [serial online] 2003 (available at www.cdc.gov/ncidod/EID/vol9no5/02-0562.htm)

17 World Health Organization, Department of Immunization, Vaccines and Biologicals. Human Papillomavirus and HPV vaccines: Technical information for policy makers and health professionals. Geneva, World Health Organization, 2007

18 www.aids2031.org

19 www.euro.who.int/observatory/Studies/20040310_2

20 www.ehfg.org/home.html?&L=0

21 United Nations Press Release, 2008(available at: www.un.org/News/Press/docs/2008/ga10719.doc.htm)

22 DeNavas Walt C, Proctor BD, Smith J. Income, Poverty and Health Insurance Coverage in the United States: 2007. U.S. Census Bureau, Current Population Reports, Washington, D.C., 2008 (available at: www.census.gov/prod/2008pubs/p60-235.pdf)

23 www.heal.niehs.nih.gov

24 www.pparx.org

25 www.merck.com/cr/usdiabetesalliance

26 www.one4onepledge.org

27 www.theglobalfund.org/en

28 www.pepfar.gov

29 www.unitaid.eu

30 www.clintonfoundation.org/what-we-do/clinton-hiv-aids-initiative

31 www.gavialliance.org

32 www.iff-immunisation.org

KEY ISSUE

3

Ensuring Confidence in the Safety and Quality of Our Products

We recognize that when people take our medicines and vaccines, they must have confidence in their efficacy and safety. Ensuring this confidence is crucial for us.

Medicines and vaccines are widely tested before they are approved for marketing. The studies show that all products have side effects, but not everyone will experience them. This is why pharmaceutical manufacturers make extensive information about their products available, enabling doctors to evaluate the risks as well as the benefits of any treatment and discuss them with their patients.

Merck manufactures more than 30 different medicines and vaccines that are sold in more than 150 countries worldwide. As a research-based company dedicated to fighting and preventing disease by developing innovative medicines and vaccines, we are committed to ensuring that we manufacture quality products, according to strict standards. We demand equivalent standards from our suppliers.

MERCK'S SAFETY COMMITMENT

Nothing is more important to Merck than the safety and quality of our medicines and vaccines. We dedicate millions of dollars each year and extensive resources to ensuring the safety profiles of our products are well characterized. The president of Merck Research Laboratories has ultimate responsibility for the analyses and interpretations of safety data and safety-related decisions.

In addition to the physicians and nurses we employ to oversee clinical trials, our pharmacologists analyze compounds chemically to determine potential effects in people, and epidemiologists assess the prevalence of potential risks in a population. We also engage with independent experts to collect, investigate and evaluate information about the effects of medicines and vaccines. We do this not only before a product can be approved but also after a product has begun to be prescribed.

CLINICAL TRIALS

We test our products extensively and for many years before they can be approved for marketing. This testing is governed by a comprehensive regulatory scheme and our own research policies. The U.S. Food and Drug Administration estimates that a compound entering Phase I clinical trials has only an 8 percent chance of reaching the market.[1] Approval requires extensive data that demonstrate to stringent regulatory authorities the safety, efficacy and quality of the product. We disclose results from our clinical trials in patients irrespective of the outcome. For more information on our clinical trials, go to p. 13.

SAFETY MONITORING

Merck has an efficient global system of pharmacovigilance. Our global pharmacovigilance teams are responsible for the safety evaluation of our medicines and vaccines. In parallel, local pharmacovigilance teams at our subsidiaries worldwide are responsible for ensuring that safety information is collected and reported to our Headquarters pharmacovigilance staff and to local regulatory authorities.

POST-MARKETING STUDIES

Merck continues to research the efficacy and safety profiles of our products on an ongoing basis. We conduct several types of studies after approval:

» **POST-APPROVAL STUDIES ON NEW INDICATIONS** Some products may be effective for more than one indication. For example, an oncology product can be developed to treat several types of cancer. In such cases, a clinical trial must be conducted to determine the safety and efficacy of the drug in each new patient population.

» **COMMITMENTS TO REGULATORY AUTHORITIES** For some products, regulatory authorities require that companies conduct additional studies

after the product is approved. The study could be required for multiple reasons, including to examine the long-term safety of the product.

» **EPIDEMIOLOGY STUDIES** Merck has a long history of working closely with external experts in pharmacoepidemiology to examine the utilization and safety profiles of many of our marketed products as they are used in clinical practice in several population-based health care systems.

ADVERSE EXPERIENCE REPORTING (AER)

After a product has been approved and is being prescribed to patients, regulatory authorities require manufacturers to report adverse experience information received from any source, including clinical trials, health care providers, patients, published literature and epidemiological or observational studies. Our staff of global pharmacovigilance professionals compile reports of adverse experiences into our global AER database and ensure the information is submitted to regulatory authorities in accordance with their regulations.

In accordance with these regulatory requirements, Merck has developed a written procedure to provide Merck personnel worldwide with a consistent

THE WORLDWIDE WITHDRAWAL OF VIOXX

On September 30, 2004, Merck announced a voluntary worldwide withdrawal of VIOXX® (rofecoxib), our arthritis and acute pain medication. Merck took this action because we believed it best served the interests of patients. Although we believed it would have been possible to continue to market VIOXX with labeling that would incorporate the new data, given the availability of alternative therapies and the questions raised by the data, we concluded that a voluntary withdrawal was the most responsible course of action.

Following this, critics charged that Merck put profits over safety in the development, testing and marketing of VIOXX. These allegations were unfounded, but extremely troubling as they affected our reputation for integrity. In response, we said that we would continue vigorously to defend Merck and the scientific decisions we made; we would continue to focus on researching and developing novel new medicines and vaccines; and we would continue to do what we thought was right, based on the scientific evidence.

In the three years after the withdrawal of VIOXX, Merck was the subject of numerous lawsuits. However, after prevailing in the majority of cases that were brought to trial, we entered into an agreement to resolve the majority of the U.S. product liability lawsuits related to VIOXX.

In November 2007, Merck agreed to pay a fixed amount of $4.85 billion into a settlement fund for qualifying claims that enter into the resolution process. This was not a class-action settlement. The agreement reached explicitly stated that there was no admission by Merck of any wrongdoing. We continue to stand behind all of our scientific decisions.

Our dedicated VIOXX Information Center contains all major Company communications and other resources on the matter. For more information, go to www.merck.com/newsroom/vioxx.

On May 31, 2008, the *Wall Street Journal* published an opinion piece entitled "Vindicating Vioxx," which briefly summarized the status of legal rulings and noted their implications for pharmaceutical research, public health and tort law. Here is an excerpt of the article.

"Texas and New Jersey may have different political cultures, but appeals courts in both states this week delivered a one-two punch to the liability suits against Merck for its Vioxx painkiller. In Texas, a court overturned a $26 million 2005 jury verdict against the drug company, while New Jersey's court whittled down an earlier verdict to exonerate Merck from a finding of consumer fraud and eliminate punitive damages.

The rulings are evidence that some sanity still exists in the tort system – at least at the appellate level. In Texas, the court's Chief Justice Adele Hedges said there was 'no evidence' that the patient had suffered a cardiovascular event as the result of a blood clot or that Vioxx was in any way related to the death. Those are strong words for a case that the trial bar had celebrated as the start of a huge payday....

Plenty of patients and doctors would like to see Vioxx back on the shelf as an option to ease otherwise intractable pain. All drugs have risks, and the danger in the Vioxx case was that a tort frenzy would destroy an industry that provides jobs and vital therapies to millions of people. We're glad the courts are allowing reason to prevail."

SAFETY
PERFORMANCE DATA SUMMARY 2006–2007

GLOBAL	2007	2006
Number of GCP/PV audits by regulatory agencies of Merck or clinical trial investigators	35	36

and thorough process for identifying, reporting and processing adverse experiences occurring while patients are using Merck products (but not necessarily due to their use). These procedures relate to the reporting of adverse experiences originating in clinical studies and those associated with use of marketed products. Adherence to these procedures ensures the timely and accurate monitoring of the safety profile of Merck's investigational and marketed products globally.

Over time, rare adverse experiences may be detected as more patients use a product. Additionally, an adverse experience may be more frequent or more intense than initially observed in clinical trials. Our safety teams, which include physicians and epidemiologists, review post-marketing data and determine whether actions need to be taken with reference to the evolving safety profile of our products.

PRODUCT LABELING AND RISK COMMUNICATIONS

Ongoing oversight and monitoring of our product labels is a major focus of our safety efforts. Our label review teams monitor information on our products and work with our product safety teams to develop or update product labeling. We communicate relevant information on an ongoing basis to regulatory agencies worldwide. In addition, information leaflets in our product packaging contain information on possible side effects and, if appropriate, how to avoid some potential problems. We include contact details for patients, care givers and health professionals to report adverse experiences in the United States on our corporate website. Outside the United States, adverse events are reported according to local laws and practices.

Currently we have eight epidemiology safety studies ongoing in partnership with external academic and research institutions. For more information on our work on product safety, go to www.merck.com/cr/productsafety.

CLINICAL TRIAL AUDITS Of 71 Good Clinical Practice (GCP)/ Pharmacovigilance (PV) inspections conducted by the FDA and other regulatory agencies worldwide during 2006 and 2007, none resulted in critical observations and none resulted in the rejection of any clinical study or regulatory filing.

MERCK'S COMMITMENT TO PRODUCT QUALITY

Our global quality systems are broad in scope to ensure consistent product quality in our manufacturing processes worldwide.

QUALITY STANDARDS AND SYSTEMS

We establish and maintain a set of systems, comprised of policies, processes and procedures, required for the effective planning and execution of business activities to ensure product quality. We continuously work to enhance and integrate our systems to identify, measure, control and sustain quality excellence of our products.

We strive to make continuous improvements in quality through auditing of our quality practices and establishment of goals, programs and procedures that enhance product quality and ensure current Good Manufacturing Practice (cGMP) compliance. Progress against these goals is regularly reviewed by divisional and corporate management.

REPORTING ADVERSE EXPERIENCES

To report an adverse experience to regulatory authorities, we need minimal information: the name of a Merck medicine or vaccine involved, an adverse experience, an identifiable patient and an identifiable reporter. In addition to submitting individual, adverse experience reports to regulatory authorities, either within 15 days or periodically, we also use certain reports that aggregate, information for as long as we market a product.

QUALITY MANAGEMENT
PERFORMANCE DATA SUMMARY 2006–2007

	2007	2006	2005
Number of product recalls in United States	2	0	1

In 2007, we implemented two voluntary recalls in the United States: (i) a recall of three lots of the antibiotic INVANZ due to the fact that Merck was unable to exclude the possibility that glass fragments could be present in vials from these lots and (ii) a recall of 10 lots of PEDVAXHIB and two lots of COMVAX vaccines because we were unable to assure the sterility of the equipment on which these lots were made.

ENSURING THE SUPPLY OF QUALITY VACCINES

The FDA recently inspected Merck's West Point, Pennsylvania, vaccines and biologics manufacturing facility. At the conclusion of the inspection, the FDA issued a report containing 49 observations from their visit. Subsequently, Merck received a Warning Letter from the FDA dated April 2008.

Merck took the observations and the Warning Letter very seriously and committed to addressing all concerns to the Agency's satisfaction. Importantly, the issuance of the Warning Letter did not affect any available product or Merck's ability to continue to supply our vaccines.

In July 2008, Merck received a letter from the FDA closing out its inspection of the West Point facility. As always, we will continue to work with the Agency in a cooperative manner to ensure that public health is served by the continued supply of our quality vaccine products.

We are also involved in and support external industry and regulatory efforts to develop and optimize further quality and manufacturing standards worldwide, including work with the International Conference on Harmonization.

DEMANDING HIGH SUPPLIER STANDARDS

Recent reports about quality control issues concerning products manufactured by other companies in developing and emerging markets have resulted in customer questions about supply chains of all pharmaceutical companies. We maintain strict quality standards and insist on the same from our suppliers and licensees, regardless of their location. More information on p. 50.

COMBATING THE THREAT OF COUNTERFEITS

Counterfeit pharmaceutical medicines and vaccines are a growing global problem that can compromise patient health and safety. To keep our drug distribution system safe and secure, we manage our supply chain carefully with strict policies and procedures. In the United States, for example, Merck has implemented terms and conditions of sale of our medicines and vaccines to reduce the potential for counterfeit products to enter the supply chain by requiring that customers purchase Merck products directly from Merck or a Merck-authorized distributor. Other practices used by Merck to deter counterfeiting include publishing the names of authorized distributors on Merck's website and auditing of distributors.

When a counterfeiting incident is confirmed, Merck promptly reports it to regulatory and law enforcement agencies. This is the cornerstone of our anti-counterfeiting efforts and we believe it is the best way to combat and deter this illegal activity that risks public health. We also work with regulators and distributors to remove counterfeit products from the market and with regulators and law enforcement officials to attempt to trace counterfeit product back to its original source.

Working with industry groups, Merck supports increased enforcement of existing laws against counterfeiting and the adoption of new public policies to strengthen existing laws and enforcement programs, including increased criminal and civil penalties for counterfeiters. To help achieve this aim, Merck and other pharmaceutical companies created the Pharmaceutical Security Institute. The pharmaceutical industry works closely with law enforcement and regulatory agencies in both developed and developing countries to implement a multilayered security strategy focused on both prevention and enforcement.[2] More on anticounterfeiting is at www.merck.com/cr/anticounterfeiting.

THREAT OF COUNTERFEIT MEDICINES

As counterfeiters have become more sophisticated, counterfeit products are becoming increasingly similar in appearance to authentic products. Counterfeits can include wrong doses of active ingredient or no active ingredient or, in some cases, poisonous ingredients. Without laboratory testing, it can be difficult to tell the difference between real and counterfeit medicines. The WHO estimates that counterfeit medicines represent about 1 percent of sales in developed countries to more than 30 percent in some parts of Africa, Asia and Latin America where regulatory and legal oversight is weakest. Merck is committed to cooperating with all government agencies, other pharmaceutical manufacturers, wholesalers, distributors, health professionals, consumer groups and key related organizations in the fight against pharmaceutical counterfeits.

MORE INFORMATION ONLINE

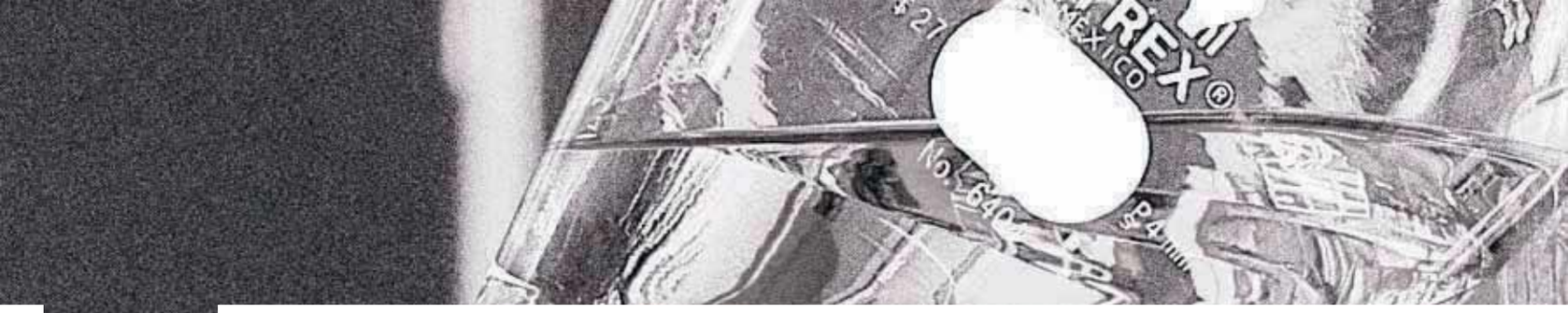
You can find more information on the issues covered in this section, as well as on the following topics at www.merck.com/cr/productsafety.

- Safety profile of GARDASIL
- Training for Merck employees on monitoring and reporting adverse experiences
- Anticounterfeiting packaging initiatives

ENDNOTES

1 Food and Drug Administration. Innovation or Stagnation: Challenge and Opportunity on the Critical Path to New Medical Products. U.S. Department of Health and Human Services, FDA, March 2004.

2 www.psi-inc.org/index.cfm



KEY ISSUE

4

Conducting Ourselves Ethically and Transparently

Adherence to the rule of law, ethical working practices, good corporate governance and transparency are critically important to our stakeholders and to our sustainable success.

But it takes more than the right mechanisms and standards to ensure an ethical business environment. At Merck, ethics are an integral part of our business decisions and inform how all employees conduct themselves every day.

Merck's commitment to ethics extends beyond the Company's boundaries. We actively promote the development of codes and standards for ethical and transparent business practices that can help to foster respect and promotion of human rights, limit corruption, ensure fair and open competition and encourage a better business environment, all of which are essential to economic growth.

MERCK'S OFFICE OF ETHICS AND GLOBAL CODE OF CONDUCT

Ethics and integrity are core values at Merck. They are underscored in the Company's code of business conduct known as *Our Values and Standards*, which was first developed and distributed to Merck employees in 1999, and updated in 2002 and 2004. Our Code of Conduct applies one standard of conduct to all employees worldwide and is available in 27 languages. Every Merck employee is responsible for adhering to business practices that are in accordance with the letter and spirit of the law and with ethical principles that reflect the highest standards of corporate and individual behavior. Ethical business practices are a key measure in annual performance evaluations of all our employees globally.[1]

Established in 1995, the Merck Office of Ethics develops and oversees global initiatives designed to deter illegal, unethical and improper behavior related to Merck's business. The Office of Ethics is responsible for our Code of Conduct training and for providing channels for Merck employees worldwide to raise ethical questions or concerns.[2]

ETHICS TRAINING AND DEVELOPMENT

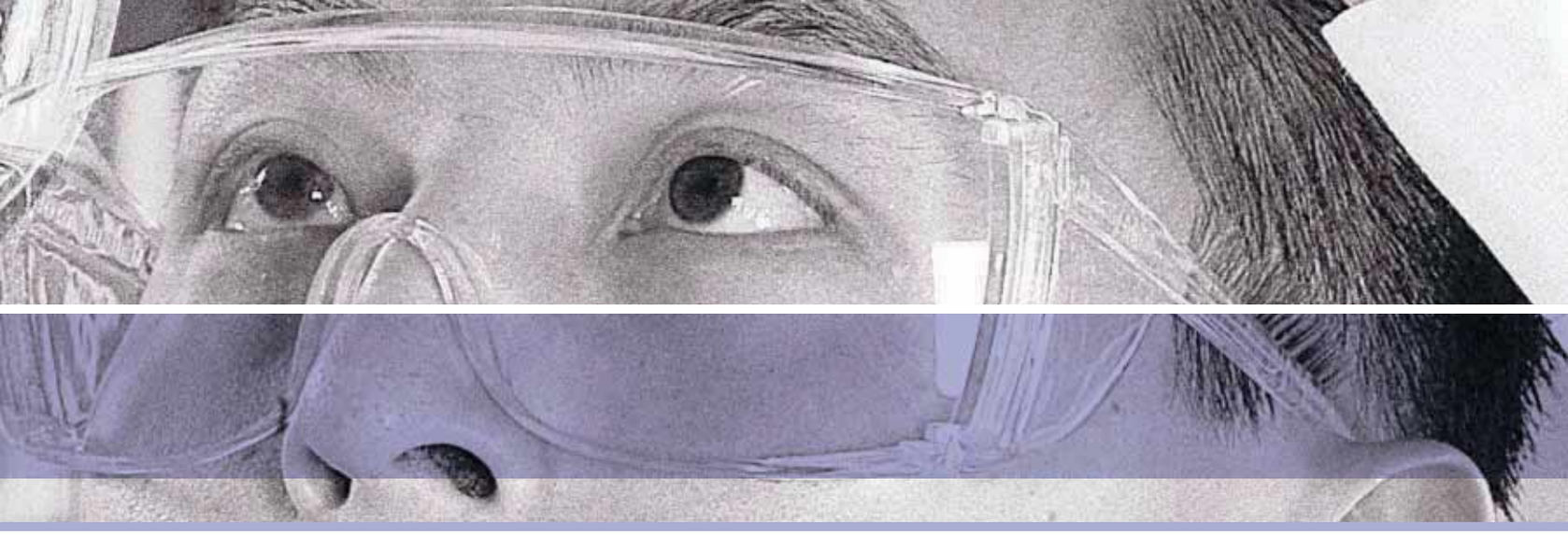
In 2007, the Office of Ethics launched a global compliance training series, consisting of online training programs to provide employees with tools and resources for making responsible business decisions. The first course, *Know the Code*, complements the Company's established classroom-style ethics training and covers such topics as:

- Can competitive information obtained from a physician be shared?
- What is Merck's policy on human rights?
- Can I give samples to a physician for his personal use?

All new employees are required to complete *Know the Code* within 30 days of hire. For information on additional training courses that support our ethical business practices, go to www.merck.com/cr/ethics.

ETHICAL RESOURCES FOR EMPLOYEES

The Merck AdviceLine, a telephone line available to employees around the world 24 hours a day, seven days a week, is staffed by an independent organization that allows employees to remain anonymous in accordance with applicable legal standards for operating whistle-blowing hotlines. Multilingual report processing with language interpretation is available in up to 150 languages, allowing employees to communicate in their native language to ensure accuracy of reported information. In addition, the Merck Ombudsman Program offers a "safe haven" for U.S.-based employees to express work-related issues without fear of retaliation. This program confidentially addresses employees' concerns



For information on how we enforce our code and train our employees, go to www.**merck.com/cr/ethics.**

OUR VALUES AND STANDARDS

Merck's Code of Conduct has been designed to deter wrongdoing and to foster:

- Honest and ethical conduct, including the ethical handling of actual or potential conflicts of interest between personal and professional relationships
- Protection of our confidential and proprietary information and that of customers and vendors
- Compliance with Company policies, applicable governmental laws, rules and regulations
- Prompt internal reporting of violations of this code
- Accountability for adherence to the values and standards set forth in this code

Our recent global employee survey—the Merck/MSD Culture Assessment—showed high levels of understanding and acceptance of Merck's Code of Conduct: Merck scored in the 93rd percentile on employee agreement that there is an ethical code that guides our behavior and tells us right from wrong (up five points from the 2006 survey).

about conduct that may be inconsistent with Merck's policies, practices, values and standards. Outside the United States, employees may contact the Office of Ethics directly or use the AdviceLine to raise concerns.

ADDRESSING MISCONDUCT In 2008, we implemented our global guidelines for escalation, investigation, remediation and recognition of noncompliant activities or actions across our different divisions and geographies. When Merck substantiates allegations of ethical misconduct, it imposes a variety of disciplinary actions on those responsible for the misconduct, such as dismissal from the Company, issuance of final written warning letters and financial penalties.

PERFORMANCE To date, 90 percent of Merck employees have taken the *Know the Code* training and we anticipate this will be nearly 95 percent by the end of 2009.

The number of calls to the Office of Ethics/Ombudsman has declined somewhat since 2005, including a 30 percent

ETHICAL BUSINESS PRACTICES
PERFORMANCE DATA SUMMARY 2005–2007

GLOBAL	2007	2006	2005*
Percentage of required employees who took *Know the Code* training	90	N/A	N/A†
Percentage of response to disclosure statement on conflicts of interest	97	95	93
Number of calls to the Merck AdviceLine	149	77	80
Number of calls to Office of Ethics/Ombudsman	600	597	770
Percentage of substantiated (including alternate findings) allegations to concerns/issues raised in connection with our Code of Conduct through AdviceLine or Office of Ethics/Ombudsman‡	9.5	8.3	10.2

* 2005 noted as baseline
† *Know the Code* was first implemented globally in 2007.
‡ When Merck substantiates allegations of ethical misconduct, it imposes a variety of disciplinary actions on those responsible for the misconduct, such as dismissal from the Company, issuance of final written warning letters and financial penalties.

KEY ETHICAL ISSUES FOR MERCK AND THE PHARMACEUTICAL INDUSTRY

As one of the leading global pharmaceutical firms, over and above general ethical issues related to working practices, Merck faces the same set of ethical issues that have brought a growing amount of scrutiny to this industry:

- Deciding what products to develop
- Assessing the benefits and risks of products
- The conduct of clinical trials and publication of results
- Pricing, intellectual property rights and access to medicines and vaccines
- Appropriate interactions with policy makers and other third parties
- Appropriate sales and marketing practices, including medical education, product sampling and direct-to-consumer advertising

reduction in calls about human resource-related issues. We believe this can be attributed to our strengthened performance management processes: more ongoing performance discussions between managers and their reporting staff are preempting and resolving more issues. The decrease in calls also reflects the decrease in employee numbers in recent years due, in part, to our restructuring program. The calls to the Merck AdviceLine almost doubled from 2006 to 2007, due, in part, to greater awareness of the AdviceLine as a result of increased employee communications.

APPROPRIATE SALES AND MARKETING PRACTICES

Merck has actively supported the strengthening of industry standards, including enhancements to the PhRMA Code on Interactions with Health Care Professionals that were approved in July 2008.

Merck strives to provide accurate, balanced and useful information to enable prescribers to make the best decisions for their patients, and to minimize the potential for inappropriate activities.

Our interactions with health care providers, other customers and consumers are governed by laws and regulations, and our long-standing global code of ethical conduct and guidance. We enforce these through our global business practices and compliance program.

INFORMATION FOR HEALTH CARE PROFESSIONALS We inform health care professionals about how our products should be used and what types of patients would benefit most based on the results of rigorous clinical studies. We provide this information through educational, promotional or scientific activities.

The basis of our interactions and content must provide truthful, balanced and non-misleading information to health care professionals. Merck's overall ethical values and standards have been the basis of our principles for ethical business practices with the medical and scientific community, which are aligned with national regulations worldwide, industry codes—including the International Federation of Pharmaceutical Manufacturers and Associations (IFPMA) Code of Pharmaceutical Marketing Practices[3]—and the WHO's Ethical Criteria for Medicinal Drug Promotion.[4]

CONTINUING MEDICAL EDUCATION (CME) AND CONTINUING EDUCATION (CE) Merck sponsors numerous educational programs aimed at sharing medical and health economic information. Our policy on continuing education for all types of health care professionals aims to ensure that our CME/CE programs are educational, not promotional, and have the goal of increasing physician awareness of the latest scientific data relating to health care advances and patient care. CME programs supported or sponsored by Merck are governed by an internal policy and must be aligned with appropriate standards such as the Accreditation Council for Continuing Medical Education standards for commercial support of CME in the United States, which specify independence, financial disclosure and other requirements applicable to CME programs sponsored by commercial entities, including pharmaceutical manufacturers. In some cases, Merck provides grants to organizations for professional education initiatives, including

MERCK'S GLOBAL CODE OF CONDUCT AND GUIDANCE FOR INTERACTIONS WITH HEALTH CARE PROFESSIONALS

The key principles are:

- We provide current, accurate and balanced information about Merck products, we transmit sound scientific and educational information, and we support medical research and education.
- Merck employees are prohibited from offering health care professionals items of personal benefit. We occasionally may provide health care professionals with approved educational items that are not of substantial monetary value, such as medical textbooks, medical journals or anatomical models.
- Merck employees and others speaking on Merck's behalf may provide presentations and discussions specifically designed to provide the type of information that practicing medical and health care professionals have indicated to Merck that they need and find most useful in the treatment of their patients, in accordance with FDA and other country regulations. In connection with such events, occasional modest meals may be offered, also in accordance with regulations.

Merck will update our policies and practices in the United States by January 2009 to ensure compliance with the revised PhRMA Code, including a new requirement that professional sales representatives and their immediate managers will no longer offer physicians or their office staff noneducational reminder items, such as pens and notepads, which we have sometimes used to promote products. Merck also intends to complete self-certification in early 2009, after the Code changes become effective, and pursue external verification following that.

FOSTERING A FAIR, TRANSPARENT AND OPEN BUSINESS ENVIRONMENT

Merck's commitment to ethics extends beyond the Company's boundaries. We actively promote the development of codes and standards for ethical and transparent business practices that can help limit corruption, ensure fair and open competition and encourage a better business environment, which are essential to economic growth and improved standards of living.

» **WORLD ECONOMIC FORUM PARTNERING AGAINST CORRUPTION INITIATIVE (PACI)** In 2008, Merck endorsed the PACI Principles, aimed at strengthening efforts to counter corruption and bribery globally, encourage fair and open competition, and lead to a better business environment.[8]

» **WORLD ECONOMIC FORUM CORPORATE GLOBAL CITIZENSHIP INITIATIVE** Also in 2008, Merck joined 14 other companies in signing a leadership statement on "Partnering to Strengthen Public Governance — The Leadership Challenge for CEOs and Boards," which calls on businesses to engage in public/private partnerships to strengthen and improve the effectiveness of public policies and institutions as a key aspect of corporate global citizenship.[9]

For more examples of how we foster a fair, transparent and open business environment, go to www.merck.com/cr/opentrade.

accredited continuing medical education. In October 2008, Merck plans to begin reporting grants by Merck's Global Human Health division to U.S. organizations in support of independent accredited educational programs for health care professionals. For more information on financial interactions with third parties, go to p. 55.

DIRECT- TO-CONSUMER (DTC) ADVERTISING Studies demonstrate that DTC advertising can have a positive impact on patient health in terms of diagnosis, treatment and adherence to prescribed therapies.[5] Merck medicines address many unmet medical needs such as high cholesterol and blood pressure, uncontrolled diabetes, osteoporosis and asthma. DTC advertising is one channel among many to help educate patients about these conditions and can encourage consumers to speak with their doctors. Ultimately, the decision of what treatment, if any, a patient receives rests with the physician, in consultation with the patient.

In 2008, to formalize our historical practice of informing health care professionals about our products before we advertise them to the consumer, Merck adopted a policy requiring a minimum six-month time period following the approval of a new product before launching DTC broadcast advertising. In addition, Merck carries out comprehensive programs to educate physicians and other prescribers about a new product before commencing product-specific DTC broadcast advertising. These principles and our practices are reflected in the PhRMA Guiding Principles on Direct to Consumer Advertisements about Prescription Medicines.[6]

Merck strives to enable consumers to achieve better health outcomes by delivering accurate, relevant information on disease prevention, identification and treatment in an understandable manner. We adhere to the letter and spirit of FDA regulations and guidelines governing DTC promotion, ensuring all PhRMA guidelines are met or exceeded, and following a comprehensive set of internal policies and practices when we engage in DTC advertising. Merck has a long-standing policy to submit new DTC advertising campaigns voluntarily to the FDA for prereview; we do not run any DTC campaign until receiving a response from the FDA; and we modify the advertising, if necessary, consistent with any written FDA comments.[7]

PERFORMANCE In February 2008, Merck reached civil settlements with federal and state authorities to resolve long-standing investigations related to disputes over the proper calculation of Medicaid rebates as well as certain past sales and marketing activities that ended in 2001. For additional details, go to p. 35 of our 2007 Annual Financial (10-K) report.

PRIORITIES FOR THE FUTURE AND TARGETS

» We want to achieve 95 percent completion rate of new ethics training courses by required employee populations, including *Know the Code*, by the end of 2009.

» We want to increase awareness about Office of Ethics resources among Merck employees outside of the United States.

» We want to achieve a 100 percent response rate to the disclosure statement on conflicts of interest by 2009.

» We support the creation of a uniform, national program for disclosing certain financial relations between industry and physicians. Such a program, implemented in consultation with industry and the physician community, could provide helpful information to the public. Even in the absence of a legislative requirement, however, in 2009, Merck plans to begin disclosing payments to physicians in the United States who speak on behalf of Merck and our products.

» Merck plans to update our policies and practices in the United States by January 2009 to ensure compliance with the revised PhRMA Code on Interactions with Health Care Professionals.

» In October 2008, Merck plans to begin reporting grants by Merck's Global Human Health division to U.S. organizations in support of independent accredited educational programs for health care professionals. More information on p. 56.

PROMOTING AND PROTECTING HUMAN RIGHTS

Business has an important role to play in protecting and promoting the advancement of fundamental human rights. Supporting human rights makes business sense too—companies that violate internationally recognized human rights are not sustainable. We also recognize the value in promoting human rights in the broader global community: furthering equal justice, equal opportunity, and equal dignity without discrimination where we operate can help to promote economic development, help us to build the basis of our business, and help us to be recognized as one of the best employers.

Merck is committed to respecting human rights defined in the United Nations Universal Declaration of Human Rights and its subsequent changes, the International Covenant on Economic, Social and Cultural Rights, the International Covenant on Civil and Political Rights, the OECD Guidelines for Multinational Enterprises and the core labor standards set out by the International Labor Organization (ILO). Merck does not tolerate human rights abuses in our business operations, and we

HEALTH AS A HUMAN RIGHT

For our perspective on health as a human right and our role in respecting and promoting it, go to **www.merck.com/cr/human rights.**

comply with national and international human rights laws and treaties.

Merck's Vice President and Assistant General Counsel oversees Merck's human rights responsibilities and activities on Merck's Corporate Responsibility Council, working closely with our Vice President, Chief Ethics and Compliance Officer. Compliance with specific human rights obligations is overseen globally by Merck's Corporate Compliance Committee and compliance committees within each of Merck's divisions. Merck's Chief Ethics and Compliance Officer provides regular briefings to Merck's Executive Committee on human rights-related issues, and provides an annual update to the Audit Committee of the Company's Board of Directors. At the country level, local managing directors are responsible for ensuring compliance with both Merck corporate policies, Code of Conduct and national laws and regulations. Respect for human rights is embedded in Merck's global Code of Business Conduct, *Our Values and Standards*, which addresses key topics that underscore the respect for human dignity, including antidiscrimination, anticorruption and bribery, and environment, health, safety and privacy.

PERFORMANCE

Given the high-tech, high-skilled nature of pharmaceutical research and development and the countries in which we have facilities, we do not believe we face significant human rights risks related to our labor practices. In fact, in 2006–2007, Merck did not identify any operations at significant risk of forced or compulsory labor, incidents of child labor, or violations of the right to exercise freedom of association and collective bargaining.

HUMAN RIGHTS PRIORITIES FOR THE FUTURE

» Although we do not believe we face significant human rights risks related to our labor practices, by the end of 2009 we plan to formalize a Global Labor Relations Strategy that will include global labor guidelines and monitoring tools to ensure consistency worldwide.

» To assess our overall human rights risk and performance, we are exploring human rights assessment tools and frameworks. We are also working with the Danish Institute for Human Rights and other pharmaceutical companies to examine the need for a sector-specific tool.

» We have begun to identify key stakeholders to help in defining the role of business—and specifically the pharmaceutical industry—in supporting the right to health.

OUR SPHERE OF influence

We define our sphere of influence through the following categories.

EMPLOYEES We respect the human rights of our employees as established in the ILO's Declaration of Fundamental Principles and Rights at Work.

SUPPLIERS, DIRECT BUSINESS PARTNERS AND OTHER THIRD-PARTY REPRESENTATIVES We incorporate appropriate principles from our Code of Conduct into contracts with suppliers, business partners, licensees and distributors, and monitor their adherence on a regular basis. Merck is also one of the founding members of the Pharmaceutical Supply Chain Initiative (PSCI), designed to help ensure that working conditions in the pharmaceutical supply chain are safe and that workers are treated with respect and dignity.
More on p. 51.

COMMUNITIES We strive to serve as a positive influence in—and to respect the human rights of—the communities in which we operate. As a global corporate citizen, we go beyond legal requirements to work with partners including governments and other stakeholders to support human rights in communities both locally and globally. The most basic way we do this is by offering medicines and vaccines that can help improve the lives of people worldwide. We also seek to support human rights through public policy advocacy with governments to ensure they live up to their international human rights obligations, and through public/private partnerships.

Merck believes in the fundamental dignity of every human being and in respecting individual rights in all of our operations, according to the following principles:

» We condemn the use of forced labor and exploitative child labor and expect our suppliers to respect this principle.

» We respect employees' lawful freedom of association.

» We compensate our employees fairly to ensure that basic needs are met and provide our employees with the opportunity to improve their skills and capabilities.

» We do not discriminate at any level of the organization on the basis of race, gender, age, ethnicity, national origin, sexual orientation, marital status, disability, genetics or religious beliefs.

» We provide a safe and healthy work environment.

» We respect individuals' right to privacy in accordance with legal and ethical standards.

REPORTING SUSPECTED HUMAN RIGHTS VIOLATIONS

There are several ways in which employees can report suspected violations, including:

» As a first step, seeking out an immediate supervisor or manager to discuss suspected violations. If concerns remain, employees are encouraged to pursue the issue with his or her next level of management, Human Resources or legal counsel.

Additional confidential mechanisms managed by Merck's Chief Ethics and Compliance Officer include:

» The Merck AdviceLine, a telephone line available to employees around the world 24 hours a day, seven days a week, staffed by an independent organization that allows employees to remain anonymous in accordance with applicable legal standards for operating whistle-blowing hotlines.

» The Merck Ombudsman Program, which offers a "safe haven" for U.S. employees to express work-related issues without fear of retaliation. This program confidentially addresses employees' concerns about conduct that may be inconsistent with Merck's policies, practices, values and standards.

» In 2009, we plan to implement a new training program for all employees about respect in the workplace to ensure all employees are adhering to the Company's values and standards. The training will cover a variety of topics such as diversity, culture, bullying, harassment and discrimination, as well as respecting differences.

INFORMING THE DEBATE ON BUSINESS AND HUMAN RIGHTS

Merck supports meaningful efforts and discussions with stakeholders on the appropriate role of business in protecting and promoting human rights, particularly the right to the enjoyment of the highest attainable standard of health.

» Merck is supporting The World Justice Project, a multinational, multidisciplinary initiative to strengthen the rule of law worldwide and raise awareness of the connection between the rule of law and the essentials of people's daily lives—their safety, jobs, health, education and infrastructure.[10]

» We support the process initiated by the United Nations on human rights and the role of business, and, specifically, the ongoing work of Professor John Ruggie, the Special Representative of the U.N. Secretary-General on business and human rights.[11] We believe his final report, *Protect, Respect and Remedy: A Framework for Business and Human Rights*, provides a strong foundation.[12] However, his mandate should continue to define further the exact role of relevant actors and to provide practical guidance.

» Merck has also provided formal comments to former U.N. Special Rapporteur Paul Hunt regarding his draft U.N. Guidelines for Pharmaceutical Companies in Relation to Access to Medicines.[13]

MORE INFORMATION ONLINE

You can find more information on the issues covered in this section, as well as on the following topics at www.merck.com/cr/ethics.

» Ethics training and development

» Merck's disclosure statement on conflicts of interest

» Merck's commitment to privacy

» Ensuring ethical standards among our external suppliers

» The development of Merck's Office of Ethics

» Prescription product samples

» Unapproved or "off-label" use of our medicines and vaccines

» Promoting disease awareness

» Enforcing Merck's guidance for interactions with health care professionals

» Channels for escalation, investigation, remediation and recognition of concerns and violations

» Grants to third parties

» Support of independent ethics centers

» Merck's role in respecting and promoting health as a human right

» Our response to former U.N. Special Rapporteur Paul Hunt

ENDNOTES

1 www.merck.com/about/code_of_conduct.pdf

2 www.merck.com/about/conduct.html

3 www.ifpma.org/ethicalpromotion/

4 mednet2.who.int/edmonitor/edition/edm17a.html

5 Aikin K, Swasy J, Braman A. Patient and Physician Attitudes and Behaviors Associated with DTC Promotion of Prescription Drugs: Summary of FDA Survey Research Results, Final Report, U.S. Department of Health and Human Services, Food and Drug Administration, Center for Drug Evaluation and Research, 19 November 2004.

6 www.merck.com/about/public_policy/docs/mercks_alignment_with_phrma_guiding_principles_final.pdf

7 www.merck.com/about/public_policy/direct_to_consumer/home.html

8 www.weforum.org/en/initiatives/paci/index.htm

9 www.weforum.org/en/initiatives/corporatecitizenship/index.htm

10 www.abanet.org/wjp

11 www.business-humanrights.org/Gettingstarted/UNSpecialRepresentative

12 Ruggie J. Promotion and Protection of All Human Rights, Civil, Political, Economic, Social and Cultural Rights, Including the Right to Development. Report of the Special Representative of the Secretary General on the issue of human rights and transnational corporations and other business enterprises. Geneva, U.N. Human Rights Council, 2008 (available at: www.reports-and-materials.org/Ruggie-report-7-Apr-2008.pdf)

13 Hunt P. Human Rights Guidelines for Pharmaceutical Companies in Relation to Access to Medicines. Geneva, United Nations, 2007 (available at: www2.essex.ac.uk/human_rights_centre/index.shtm

KEY ISSUE 5

Managing Our Environmental Footprint

Reducing our environmental impact and conserving key resources is consistent with our values as a health care company and makes business sense.

Merck believes that by being careful about consuming energy, water and raw materials, and minimizing the impact on the environment of our wastes, air emissions, water effluents and products, we will be in a better position to operate more efficiently and sustainably.

Merck assesses our environmental footprint across numerous measures including energy and water use, greenhouse gas (GHG) and pollutant emissions to air and water, and waste generation and recycling rates. We continue to seek opportunities to reduce our environmental footprint and endeavor to provide a transparent account of our performance most relevant to society and to our business.

Our direct environmental footprint is largely related to the resources and materials we store, use and dispose of when we manufacture our products. Pharmaceutical compounds are complex organic molecules and therefore our manufacturing processes are intricate, multistep, batch chemical operations that often require multiple solvent changes and rigorous cleaning between batches. As a result, solvent use significantly affects our footprint in terms of waste generation and air and water emissions. We do not use ozone-depleting substances in our products. Utilities, including the production of steam, are the largest sources of our CO_2 emissions. Noncontact cooling water for our manufacturing processes is our primary use of water.

Although manufacturing represents the majority of our direct footprint and is a significant focus area, our environmental initiatives also address other aspects of our global operations, including our offices, research and development, and marketing. For many years, Merck has manufactured the majority of our products from early intermediates through finished packaging. Recently, we have moved toward a supply model that also leverages external manufacturers to augment our internal capabilities.

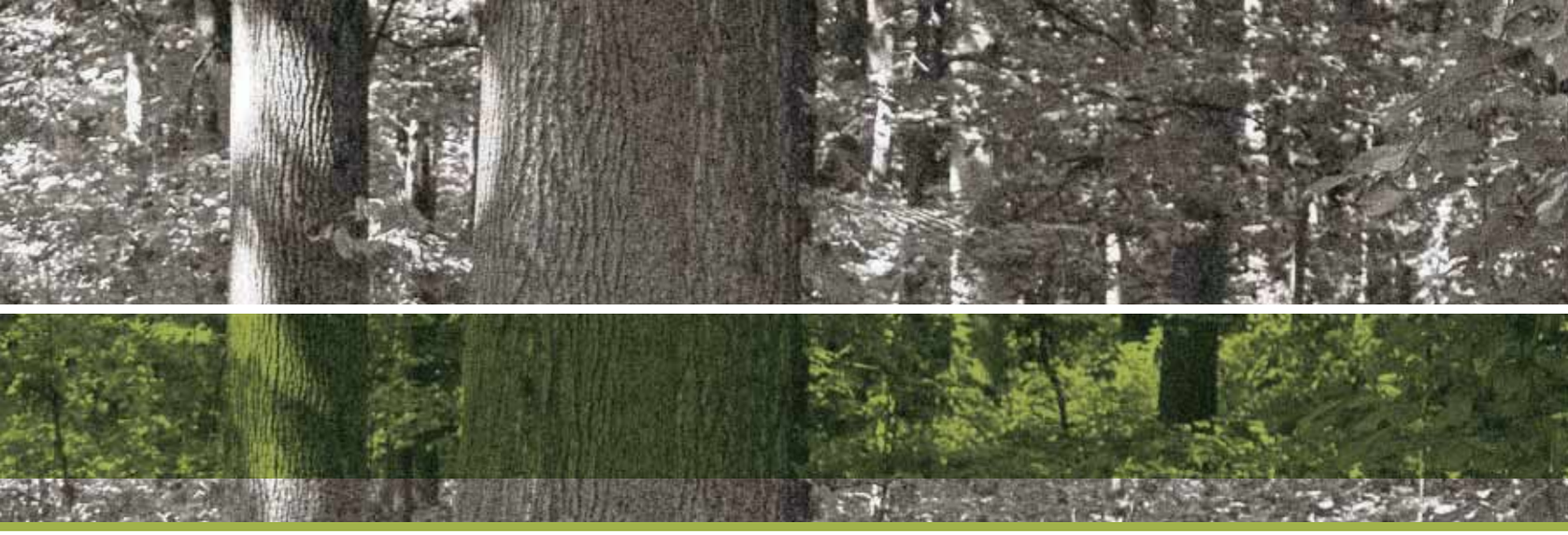
Merck's corporate safety and environmental (S&E) policies articulate our mission and values in relation to the environment. In addition to compliance with all applicable country, regional and local safety and environmental laws, we strive for S&E performance that is among the best in the pharmaceutical industry. More on our S&E management and compliance, see p. 49.

Merck experienced four reportable spills in 2006. Three of these releases that resulted in three Notices of Violation occurred at one site over a two-month period and resulted in a settlement with the U.S. government. We entered into a Consent Decree

ENVIRONMENTAL COMPLIANCE PERFORMANCE DATA SUMMARY 2004–2007

GLOBAL	2007	2006	2005	2004
Environmental Inspections	76	88	N/D	N/D
Environmental Events				
» Reportable Spills and Releases*	26	4	4	4
» Water Permit Exceedances	6	5	3	7
» Air Permit Exceedances	28	19	25	44
Environmental Notices of Violations (NOVs)	13	11	N/D	N/D
Environmental Fines Paid ($US) (number of fines)	31,515 (6)	10,652 (3)	281,025 (4)	N/D

* The increase in number of reportable spills is due primarily to a modified Pennsylvania Department of Environmental Protection interpretation in late 2006 that resulted in reporting of spills, such as chilled water spills into storm water drains, that were not previously required to be reported.



with the United States of America, the Pennsylvania Department of Environmental Protection (PaDEP) and the Pennsylvania Fish and Boat Commission to resolve the three incidents involving releases into the Wissahickon Creek from our West Point, Pennsylvania, facility. The settlement involved $1.575 million in civil penalties, $9 million for supplemental environmental projects and $10 million for on-site improvement measures. More information is on p. 40 of our 2007 Annual Financial Report (10-K).

Since that time, we have put a significant amount of effort into spill prevention and wastewater management at this site and have had no further significant incidents. The number of reportable spills increased significantly in 2007, due primarily to a modified regulatory interpretation by the PaDEP that resulted in reporting of events that were not previously reported, such as spills of chilled water. Such spills accounted for more than 60 percent of the spills reported in 2007.

Over the past two years, 57 percent of the environmental Notices of Violation received by Merck have been associated with air emissions and permit conditions, 30 percent with water and 13 percent with waste.

ENERGY USE AND CLIMATE CHANGE

Numerous studies supported by leading scientists worldwide have concluded that a gradual warming of our climate is under way and is largely the result of human activity. To address this serious concern, Merck is taking proactive steps to adopt responsible policies and practices to reduce greenhouse gas (GHG) emissions. We believe that taking early action to reduce energy use and GHG emissions will also help to minimize the impact on Merck of anticipated regulatory requirements associated with climate change.

The majority of Merck's demand for energy occurs at manufacturing, warehousing, laboratory and major office facilities, and therefore we target these facilities for energy reductions. We evaluate energy-saving technologies and approaches and implement capital projects, such as lighting modifications and heating, ventilating and air conditioning systems (HVAC) retro-commissioning efforts, to ensure that we optimize energy use. We also encourage our large facilities to install submetering to measure energy use in each building. In addition, Merck has developed a Best Practices Evaluation Tool to help sites assess performance and identify improvement opportunities.

GREEN BUILDINGS

We have adopted a corporate-wide commitment to build all new laboratories and offices so that they achieve LEED® Silver Certification or its equivalent globally. We have achieved LEED certification for existing buildings at our Seattle Rosetta Laboratory and have built our new administration building in Durham, North Carolina, to achieve LEED certification.

RENEWABLE ENERGY PROJECTS

In 2006, Merck installed a 500-kilowatt roof-mounted solar power system with more than 1,500 solar panels on the roofs of two buildings on our Rahway/Linden, New Jersey, campus, one of which already houses a hydrogen fuel cell. The project is the first of its kind to integrate fuel cell and solar power at a pharmaceutical company in New Jersey and is reducing CO_2 emissions by more than 100 metric tons per year. In addition, solar hot water panels installed at our research facility in Rome, Italy, in 2007 save 108,000 kWh per year and avoid generating 20,520 kg of CO_2 emissions. A photovoltaic grid at the same site generates 53,000 kWh per year of electricity and avoids the generation of 22,790 kg of CO_2 emissions.

In early 2005, Merck adopted a corporate goal to reduce the intensity of our energy use by 25 percent per unit area (measured in millions of BTUs [MMBtu/ft^2]) by the end of 2008, from a baseline year of 2004. In 2007, Merck used 15,197,000 million BTUs of energy worldwide, which represents a 19.6 percent reduction from our 2004 baseline.

Merck has been reporting our GHG emissions annually through the Carbon Disclosure Project since 2005. In February 2008, Merck announced plans to reduce GHG emissions from the Company's global operations by 12 percent by the end of 2012, from a 2004 baseline.[1] Merck worked closely with the U.S. Environmental Protection Agency (EPA) Climate Leaders program to ensure our goal was both aggressive and achievable.[2] Merck's GHG targets are based on absolute reduction of 1.5 percent per year for eight years. Reducing GHG gas emissions by 12 percent from 2004 will require addressing GHG emissions from new or expanded operations as well as our existing facilities.

Merck tracks four greenhouse gases: carbon dioxide (CO_2), methane, nitrous oxide and hydrofluorocarbons. The vast majority of our GHG emissions are associated with CO_2. Perfluorocarbons (PFCs) and sulfur hexafluoride (SF_6) are not tracked because they are typically not used at Merck facilities. Between 2004 and 2007, we reduced our annual GHG emissions by almost 10 percent, representing a reduction of

ENERGY USE AND GHG EMISSIONS
PERFORMANCE DATA SUMMARY 2004–2007

GLOBAL	2007	2006	2005	2004*
Energy				
» **Total Energy Use** (million BTUs x 10^6)	15.2	15.5	17.5	18.5
» **Energy Intensity** (MMBTU/sq ft)	0.52	0.54	0.61	0.65
» **Energy Source**, percentage of total				
» Purchased Electricity	28	26	21	21
» Natural Gas	69	72	75	74
» Fuel Oil	3	2	4	5
» Coal	0	0	0	0
» On-site Renewable Energy Sources	N/D	N/D	N/D	N/D
Total GHG emissions (as CO_2 eq, million metric tons)†‡	1.36	1.36	1.44	1.50

* 2004 noted as baseline
† In accordance with U.S. EPA Climate Leaders protocol, GHG generation baseline data have been adjusted to remove facilities that have been sold.
‡ Merck recalculated its GHG emissions for the years 2004 through 2007 based on new emissions factors released by EPA in April of 2007 (based on 2004 energy generation data), which resulted in reporting increased emissions for 2004, 2005 and 2006.

145,000 metric tons of CO_2 equivalents from our baseline year.

Although voluntary programs to reduce GHG emissions can be effective, Merck believes that national and even multinational frameworks will be required to address climate change. We support a global approach that stimulates the development and broad use of energy-efficient technologies and avoids unnecessary economic disruptions and the inefficiencies of disparate local, state or regional requirements. Details of Merck's GHG emissions reduction plan, goals and initiatives are available online in our climate change public policy statement.[3]

KEY ENERGY AND CLIMATE CHANGE INITIATIVES

Merck is engaged in numerous initiatives worldwide to improve energy use and reduce GHG emissions from our operations, including the U.S. EPA's ENERGY STAR partnership, which provides a useful and broad energy management framework for measuring our current energy performance. Merck was among the corporations that collaborated with Energy Star in 2007 to develop the position paper "Energy Strategy for the Road Ahead." We also participate in EPA's Climate Leaders program and in the Business Roundtable Climate RESOLVE (Responsible Environmental Steps, Opportunities to Lead by Voluntary Efforts).

WATER USE

In recent years, industrialization, urbanization and increasing population growth have put pressure on the availability and quality of fresh water supplies, leading to increasing concern and efforts to ensure sustainable water use. We recognize that the availability of sufficient clean water is critical to sustaining both human health and the environment. Therefore, we are taking steps to improve our overall water use efficiency.

Merck's strategy for improving our water use efficiency includes reducing our overall demand for water and controlling our water discharges (see Emission, Effluents and Waste section). Because of the strong interdependency between our water and energy use, Merck's water reduction efforts parallel our energy reduction program.

Much of the water Merck uses is for utility systems in our manufacturing plants that produce active pharmaceutical ingredients, which require large volumes of cooling water. In 2007, approximately 45 percent of the water we used globally was for once-through noncontact cooling, where water is pumped into the plant, circulated through heat exchange piping to cool processes and then discharged at a higher temperature. Merck initiatives to reduce water use include carefully controlling cooling systems operations and recovering steam condensate and water purification reject water for reuse. We also avoid water use in mechanical seals, such as in pumps, and we consider the total cost of water in new projects.

In 2005, Merck established a goal to reduce the total amount of water used by 15 percent by the end of 2008 from the baseline year of 2004. At the end of 2007, we had reduced our demand for water at Merck facilities worldwide by 24.6 percent; 13.6 percent of this was due to efficiency improvements and the remainder to the closure of a water-intensive production process.

WATER USE
PERFORMANCE DATA SUMMARY 2004–2007

GLOBAL	2007	2006	2005	2004*
Total water usage, billion gallons	8.8	9.6	10.1	11.7
(percentage reduction versus prior year)	(8.3)	(5)	(13.6)	
» **Purchased Water** (billion gallons)	1.6	1.6	1.8	1.9
» **Pumped Water** (surface and ground, billion gallons)	7.2	8.0	8.3	9.7

* 2004 noted as baseline

EMISSIONS, EFFLUENTS AND WASTE

We recognize that for the communities where we operate, emissions, effluents and other wastes from our facilities are an important environmental consideration. To minimize this footprint, we focus on preventing waste creation, reducing volume, reusing or recycling waste. When other approaches are not practicable, we apply additional controls and treatment technologies.

Our preferred method of footprint reduction begins with the original design of our pharmaceutical manufacturing processes to prevent the creation of emissions, effluents and wastes. Solvents are the primary waste component that we manage. Therefore, where practical, we reuse and recycle our used solvents or find other beneficial uses for them. In addition, we seek to use water-based methods for equipment cleaning when they are equally effective. To reduce our solvent emissions, we employ in-process and end-of-pipe treatment technologies and controls. Despite our efforts to reduce our solvent use, Merck still purchases approximately 30 million kilograms of solvents in a typical year.

WASTE

Merck's total hazardous waste generation decreased 11 percent from 2005 to 2007. Nonetheless, in 2007 Merck still managed more than 80,000 metric tons of solid wastes from our operations, 54,000 metric tons of which was classified as hazardous or special waste. The primary component of our hazardous wastes is solvent from our manufacturing operations.

Of the solvent streams that Merck cannot reuse, 23 percent are recovered and used by other industries with lower solvent purity requirements. Another 32 percent are burned for energy instead of fossil fuels. After reuse and recycling, only 44 percent of the hazardous wastes we generate must be treated and disposed. Most of this waste is incinerated. Less than 4 percent of our total hazardous waste, none of which is liquids, is sent to landfills. Merck has a program to ensure that the wastes we send offsite are managed by environmentally responsible waste suppliers.

In 2007, we began to track our generation of nonhazardous waste. We are still finalizing protocols for quantifying the wastes. However, we have found that of the estimated 31,600 metric tons of nonhazardous wastes we generate, we recycle approximately 42 percent.

AIR EMISSIONS

Energy production and use at our facilities are our largest source of air emissions, the majority of which are CO_2. Power and steam generation, thermal oxidizers used to control emissions from our production facilities and incinerators used to treat solid wastes also result in emissions of nitrogen oxides (NO_X) and sometimes sulfur oxides (SO_X), depending on the fuels used.

From 2005 through 2007, we decreased NO_X emissions from Merck facilities by 35 percent and SO_X emissions by 31 percent. Energy conservation measures at our facilities accounted for almost one-third of the decreases. Purchase of electricity at one site (rather than on-site generation) and switching from fuel oil to natural gas at another site also contributed significantly to the reductions. The remaining reductions were related to the closure of certain manufacturing operations and the sale of one site.

The largest source of air emissions from our manufacturing processes is solvent use. Our emissions to air of volatile organic compounds (VOC) and Toxic Release Inventory (TRI) compounds, both of which are primarily solvents, decreased slightly between 2005 and 2007. Although our solvent emissions vary from year to year due to the batch campaign nature of our business and variability in the amount of solvents required for different products, the decreases in air emissions were primarily due to the closure of one Merck site. Despite significant growth at Merck during the past 12 years, we have maintained our 90 percent reduction in TRI emissions from 1987 levels.

WASTEWATER EFFLUENTS

As part of the drug development process, Merck assesses the potential environmental and human health effects of our products. We have developed procedures to evaluate the wastewater discharges from our facilities and prevent discharges containing potentially harmful product residues.

All of Merck's process wastewater is treated prior to discharge. Merck operates our own biological wastewater treatment plants at six of our production facilities; the remainder of our production sites send their wastewater to local municipal wastewater treatment facilities. We reported increases in TRI emissions to water for 2006 and 2007. Nearly all of these increases were associated with a requirement to assess nutrient discharges to surface water in one watershed, which resulted in increased reporting of nitrates at one facility.

EMISSIONS, EFFLUENTS AND WASTE
PERFORMANCE DATA SUMMARY 2004–2007

GLOBAL	2007	2006	2005	2004
Air pollutant emissions by type (metric tons)				
» Ozone-depleting substances (ODS)*	1.4	N/D	N/D	N/D
» Nitrogen Oxides (NO_x)	303	306	468	513
» Sulfur Oxides (SO_x)	58	76	84	110
» Volatile Organic Compounds (VOCs)†	401	427	411	510
» TRI Emissions (metric tons to air and water)	270	242	163	155
» TRI Emissions to air	97	123	104	148
» TRI Emissions to water	173	119	59	7
Waste generated (metric tons)				
» Hazardous Waste Generated	54,000	62,300	60,900	64,000
» Percentage of Hazardous Waste Recycled	23	29	37	25
» Percentage of Other Beneficial Reuse	32	32	18	N/D
» Nonhazardous Waste Generated‡	31,600†	N/D	N/D	N/D
» Percentage of Nonhazardous Waste Recycled‡	42†	N/D	N/D	N/D

* Data unavailable for a site sold at the end of 2007.
† Data reflect a correction from previous reports also affecting 2003 and 2004 VOCs, 415 tons and 510 tons, respectively.
‡ 2007 was the first year Merck collected nonhazardous waste generation and recycling data. Data should be considered estimates.

STUDYING PHARMACEUTICALS IN THE ENVIRONMENT

Studies of waters in Europe and North America have detected traces of ingredients found in pharmaceuticals and other consumer products used by the general public. Known as Pharmaceuticals in the Environment (PIE), these traces of medicines come primarily from patient use after a portion of these pharmaceuticals pass through the human body without being completely metabolized. Some of these compounds make their way through municipal wastewater treatment systems and are discharged into the environment. To date, scientists have found no evidence of adverse human health effects from the trace levels, but more research is required to evaluate fully the potential impacts on aquatic organisms and the environment. Merck is a sponsor of the Water Environment Research Foundation,[3] which conducts research into new wastewater treatment technologies, including those that could improve removal of trace pharmaceuticals from wastewater.

ENVIRONMENTAL REMEDIATION

With research and manufacturing operations dating back more than 100 years, some Merck facilities were operated during times when regulations and environmental practices were not what they are today. As a result, Merck has instituted investigations and projects to ensure appropriate cleanup actions where Merck bears responsibility. Expenditures for remediation and environmental liabilities at formerly owned and operated sites were $12.6 million in 2006 and $19.5 million in 2007. These amounts do not consider potential recoveries from other parties. In addition, Merck currently is a potentially responsible party at 20 multiparty Superfund sites in the United States; we spent $20,000 in 2006 and $37,000 in 2007 in settlements associated with these sites.

PRODUCT STEWARDSHIP

Merck is committed to understanding and managing the environmental impacts of our products from discovery through manufacturing, patient use and disposal. This commitment starts early in the drug development process and continues throughout the product life cycle.

GREEN CHEMISTRY

Merck recognizes that the most effective way to reduce our environmental footprint is to improve how we manufacture products. Merck considers material efficiency (E Factor) in the selection of the best process for manufacturing each new product. E Factors are a measure of the amount of materials used to produce a certain amount of product and are an indicator of process efficiency. Our green chemistry program has resulted in pharmaceutical manufacturing innovations that significantly reduce the use of raw materials, avoid generation of hazardous and nonhazardous waste and minimize use of energy and water.

Merck is a founding member of the ACS GCI Pharmaceutical Roundtable, which is a partnership between the American Chemical Society's Green Chemistry Institute® and member pharmaceutical companies. More on our green chemistry at www.merck.com/cr/productstewardship.

RECOGNIZING GREEN CHEMISTRY

Merck was recognized by the EPA with the Presidential Green Chemistry Challenge Award in 2005 and 2006, and the AstraZeneca Award for Excellence in Green Chemistry and Engineering by The Institution of Chemical Engineers (IChemE) in 2005 for developing new processes that reduce waste streams, raw materials and production requirements. Our green chemistry initiatives clearly demonstrate that more sustainable solutions can also be cost-effective.

ENVIRONMENTAL RISK ASSESSMENTS

In many countries, an Environmental Risk Assessment must be conducted and submitted to regulatory authorities as part of the marketing approval or new substance notification processes. To this end, Merck puts our medicines through a battery of environmental fate and effects tests. Environmental risk assessments to date indicate that our products do not pose an unacceptable risk to human health or the environment.

Merck scientists collaborate with other pharmaceutical companies, governmental agencies and universities to foster greater awareness and use of the scientific methods used to assess the potential impacts of pharmaceuticals in the environment and to increase the understanding of such impacts. For example, Merck participated in the development of an environmental classification system for pharmaceuticals in Sweden. Merck voluntarily provides environmental risk data on our products to the Swedish system, publicly available online at www.fass.se. Merck scientists are also collaborating with governmental agency and university scientists from Canada on the Canadian Environmental Impact initiative to develop environmental assessment regulations for products regulated under the Canadian Food and Drug Act.

PHARMACEUTICALS IN THE ENVIRONMENT (PIE)

In November 2007, Merck adopted a formal public policy on PIE, which describes our efforts to work with government agencies, the scientific community and other stakeholders to understand and evaluate this issue.[4] Merck participates in many stakeholder collaborations aimed at developing and implementing a science-based approach to PIE, including the Knowledge and Need Assessment on Pharmaceutical Products in Environmental Waters forum funded by the European Commission. And, through our association with the Graham Environmental Sustainability Institute,[5] Merck is working with researchers at the University of Michigan and PhRMA to assess the environmental footprints associated with methods of disposal of unused medicines.

Proper disposal of unused medicines is also an important aspect of addressing PIE because the common practice of flushing unused medicines down household drains contributes to the trace concentrations detected in the environment. Through our membership in the PhRMA PIE Task Force, Merck has worked to develop and implement the SMARxT Disposal Program[6] designed to provide the general public with information on proper disposal of medicines.

PRODUCT PACKAGING

The packaging we use for our finished products and for our in-process materials must preserve the sterility, purity and efficacy of our products. Many of our finished products must also be child safe and tamper-evident. Without compromising these factors, we are working to eliminate packaging scrap.

SUPPLIER MANAGEMENT

Merck was one of the first companies to support the Pharmaceutical Industry Principles for Responsible Supply Chain Management, which will help ensure environmentally responsible manufacturing processes by suppliers. More on p. 51.

ENVIRONMENTAL FOOTPRINT PRIORITIES FOR THE FUTURE AND TARGETS

- We strive for 100 percent compliance with applicable laws and regulations.
- A major goal is zero significant environmental events.
- We are on track to meet our objective to reduce energy demand by 25 percent (measured in BTUs per unit area) by the end of 2008 from a 2004 baseline. We also strive to increase our use of renewable energy.
- We are committed to reducing the Company's total global GHG emissions by 12 percent by the end of 2012, from a 2004 baseline. By the end of 2007, we had already reduced our annual GHG emissions by almost 10 percent.
- We have already achieved our 2008 goal of reducing water use by 15 percent from a 2004 baseline and are working on a new longer-term water use reduction goal.
- We will continue to monitor TRI and VOC emissions to maintain reductions from past initiatives.
- Merck will continue to work with stakeholders on the issue of PIE to identify additional data needs and to conduct our own environmental risk assessments based upon the best available science.

MORE INFORMATION ONLINE

You can find more information and data on the issues covered in this section, as well as on the following topics at www.merck.com/cr/environmentalfootprint.

- Additional years of environmental data
- Governance of environment and safety at Merck and related compliance measures
- Internal auditing approach
- Key initiatives to reduce energy and water usage
- Environmental remediation
- Environmental risk assessments

ENDNOTES

1 www.merck.com/cr/docs/Greenhouse_Gas_Emissions_Release_Feb_2008.pdf

2 www.epa.gov/stateply

3 www.merck.com/cr/docs/climate_change_statement_Jan_20.pdf

4 www.merck.com/cr/docs/PIE_PUBLIC_statement.pdf

5 www.graham.umich.edu

6 www.smarxtdisposal.net

Executing the Basics

While our CR reporting is focused on priority environmental, social and governance issues that emerged from our materiality analysis, we recognize that certain fundamental elements of our business also merit inclusion as part of our reporting.

In this section, we provide a description of our corporate governance structure and approach, we discuss how Merck ensures that we continue to attract and retain the right employees, we review our health and safety performance, and we provide insights into our supply chain management.

CORPORATE GOVERNANCE

Corporate governance is more than just Merck's relationship to our shareholders. It also underpins our relationship to society, because issues that matter to our key stakeholders can very quickly become important issues for our shareholders. As such, our corporate governance objective is to balance fiduciary duty to generate shareholder value, while also considering in a transparent manner the feedback from other stakeholders.

We want our policies and activities to support our goals, initiatives and business values, and we want to promote the rule of law. To this end, we have meaningful policies and an effective corporate governance structure to help us implement ethical business practices.

PRIORITIES FOR THE FUTURE

» We intend to publish an annual corporate responsibility report, approved by the Merck Board.

CORPORATE GOVERNANCE DATA SUMMARY 2005–2007

	2007	2006	2005
Number of independent directors on the Merck Board (percentage)	12 (92)	11 (92)	11 (92)
Separate Chairman of the Board and CEO	No	N/A*	N/A*
Lead independent director	Yes	No	No
Independent Audit Committee	Yes	Yes	Yes
Independent Compensation Committee	Yes	Yes	Yes
Independent Committee on Public Policy and Social Responsibility	Yes	Yes	Yes
Number of Board meetings held†	13	8	11

* There was no Chairman of the Board from May 2005 to April 2007.
† Meetings were held in person and via telephone.

KEY CORPORATE GOVERNANCE ISSUES

ENGAGEMENT AND SUPPORT OF OPEN DIALOGUE WITH OUR SHAREHOLDERS

Merck strongly supports productive dialogue and engagement with shareholders and has a long, recognized track record of constructive engagement through discussions and periodic meetings on key issues with our shareholders.

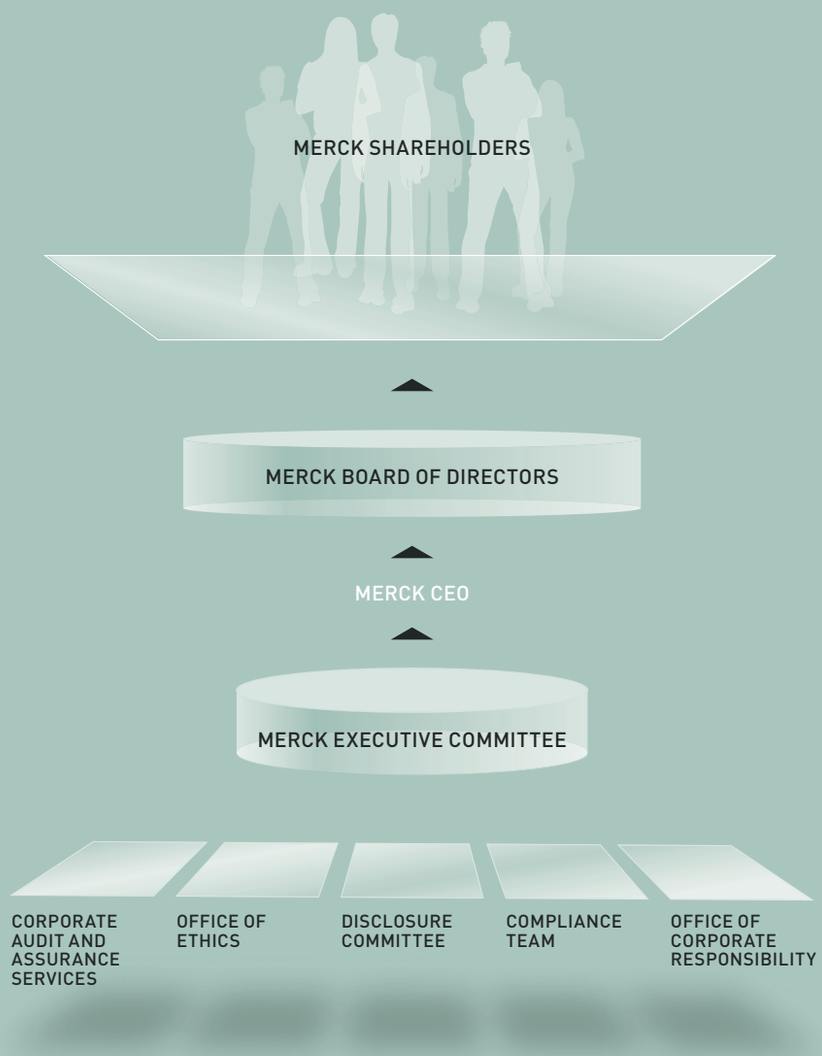
BOARD INDEPENDENCE AND PERFORMANCE

Some shareholders have expressed a desire for complete independence of the Merck Board. Our policy is that the Merck Board should consist of a substantial majority of independent directors in accordance with the standard for independence set forth, in our Policies of the Board.[1] Currently, all directors other than the CEO are considered to be independent directors. In 2007, Dr. Samuel Thier was appointed Lead Director to provide independent leadership of the Board when necessary.[2]

SHAREHOLDER ADVISORY VOTES ON EXECUTIVE AND BOARD COMPENSATION

Some shareholders are asking for the ability to provide a nonbinding vote on executive compensation of executives as a way of voicing their views on performance. Merck believes this is unnecessary and not in the best interests of the Company and its shareholders in view of the numerous complex and interrelated considerations that are used to set compensation levels, the confidential nature of some information about the Company's strategies and performance that is used to assess executive performance and set compensation, and other means available for shareholders to express their opinions on the Company's executive compensation strategy.[3]

Merck's Corporate Governance Structure



Merck Chairman, President and CEO Richard T. Clark is accountable to the Merck Board. Mr. Clark has established Merck's Executive Committee to manage the business of Merck. Executive Committee meets monthly and as needed to review Company progress against the ***Plan to Win***, our strategy established in 2005 to guide the Company to 2012, and other Company matters.[4]

ENSURING MERCK HAS THE RIGHT SKILLS FOR LEADERSHIP

To achieve our business goals, we rely on the integrity, knowledge, imagination, skill, diversity and teamwork of Merck's nearly 60,000 employees worldwide. We strive to attract and retain the best talent by rewarding performance, building a positive working environment, and responding to employee needs.

LEADERSHIP STANDARDS, EMPLOYEE DEVELOPMENT AND PROFESSIONAL GROWTH In 2007, Merck introduced new employee behavior standards closely aligned with the Company's business strategy and our Code of Conduct. These Leadership Standards build on prior guidelines and describe the behaviors expected of our employees and their managers.

Merck conducts a rigorous and transparent annual performance review of all employees at all levels globally to guide Company decisions relating to compensation and rewards, and to inform discussions on employee development opportunities. We seek to emphasize not just what an employee achieves, but also how he or she achieves it. The annual incentive bonus of management-level employees is determined, in part, by the leadership that each demonstrates in terms of expected behaviors.

COMPENSATION AND BENEFITS
Overall compensation at Merck is directly dependent on our corporate performance and on internal metrics related to the performance of an individual and their functional group. Employees at all levels have objectives against which they are assessed by their supervisor.

In 2007, Merck paid our employees a total of $5.56 billion in payroll expenses, excluding benefits. Merck's global compensation and reward program also includes an incentive plan of cash stock options and rewards based on performance.

Worldwide, Merck offers competitive retirement benefits. In many countries, we offer health insurance, life and injury insurance, disability insurance and insurance for business travel. At certain Merck sites, including our corporate headquarters, employees can see a health care professional on-site, usually on the day they need to, for such services as immunizations and health screenings. In addition, at many of our sites we provide subsidized cafeterias, oil change, dry cleaning and gyms.

DIVERSITY AND INCLUSION As our markets become increasingly diverse, we believe that our diversity, managed successfully, will make Merck more innovative, agile and profitable. In 2007, Merck initiated a new global diversity strategy, by which the compensation of our managers and leaders is linked to diversity and inclusion performance measures. Merck's policy is to promote equal opportunity globally. Merck's management is responsible for enforcing this policy by making thoughtful and equitable efforts to correct imbalances in our workforce globally. To this end, we have Affirmative Action Plans and diversity objectives on our Company scorecard. Merck has publicly disclosed EEO-1 information since 1999.

FLEXIBLE WORK ARRANGEMENTS
Merck has offered flexible work arrangements for several years. Well-managed flexibility can enhance employee commitment to the Company, increase manager effectiveness and improve customer satisfaction. Merck works to ensure that flexibility across the organization is consistently implemented and strengthens our competitive advantage.

EMPLOYEE COMMUNICATION AND ENGAGEMENT Engagement with our employees is fundamental to fostering commitment and performance. One of the many tools we use to this end is our annual Culture Assessment, which also informs our strategic business decisions.

MERCK'S RESTRUCTURING PROGRAM
As part of our business strategy, Merck is changing how we approach every aspect of our business to regain an industry leadership position. In 2005 we announced a restructuring program to reduce the Company's cost structure, increase efficiency and enhance competitiveness. Through these difficult but necessary actions, the Company is committed to treating employees with fairness and respect. Go to www.merck.com/cr/restructuring for more information.

BUILDING A POSITIVE WORK ENVIRONMENT
PERFORMANCE SUMMARY 2005–2007*

	2007	2006	2005
Total compensation paid to employees/payroll excluding benefits (US$)	5.56B	5.14B	4.84B
Percentage of women in workforce (globally)	48	49	49
Percentage of women on the Board	23	25	25
Percentage of women in executive roles** (U.S.)	27	26	28
Percentage of women on senior management team (U.S.)	31	29	29
Percentage of women in workforce (U.S.)	49	50	50
Percentage of women in management roles (U.S.)	41	41	38
Percentage of under-represented ethnic groups on the Board	17	17	17
Percentage of under-represented ethnic groups in executive roles** (U.S.)	11	12	11
Percentage of under-represented ethnic groups on senior management team (U.S.)	14	15	14
Percentage of under-represented ethnic groups in workforce (U.S.)	20	20	21
Percentage of under-represented ethnic groups in management roles (U.S.)	20	19	18
Percentage of employee response rate to Merck Culture Assessment survey	72	77	N/A†
Number of position eliminations through Merck's restructuring program	2,400	3,700	1,100
Overall Turnover Rate‡	10.7	11.9	10.6
Overall Voluntary Turnover Rate‡	6.6	7.1	7.1
Involuntary Termination Rate	4.1	4.8	3.5

* All data pertains to representation in Merck's workforce.
** Executives refer to the level of vice president.
† Survey not conducted prior to 2006.
‡ Overall turnover includes all types of turnover; overall voluntary turnover excludes any involuntary terminations for performance or restructuring.

POSITIVE WORK ENVIRONMENT TARGETS AND PRIORITIES FOR THE FUTURE

- Our target is to increase global female representation at the senior manager level from 31 percent to 36 percent by 2012. In the United States we want to increase senior manager level employees from under-represented ethnic groups from 14 percent to 18 percent by 2012.
- In 2008, Merck is launching a consistent global approach to flexible work arrangements. We want to raise awareness of our policy and increase employee satisfaction with flexible work opportunities provided. Merck will begin tracking global use of our flexible work arrangements in 2009.
- We want to score at or above 75th percentile or higher in each of the dimensions of our annual Culture Assessment by 2010.

FOSTERING SAFETY AND HEALTH IN THE WORKPLACE AND IN OUR COMMUNITIES

A healthy and safe workforce is a more productive workforce. We strive to enhance the health and well-being of our employees by providing health programs based on the highest standards of medical care and regulatory requirements. In addition, we dedicate significant resources to providing a safe working environment, focusing on prevention and closely tracking any accidents or injuries so that we can address problems promptly and work toward eliminating occupational injuries or illness.

HEALTH, SAFETY AND ENVIRONMENTAL MANAGEMENT Health, safety and environmental (HSE) matters are closely connected and therefore we manage these through a collaborative approach across numerous Merck functions that focus on employee health- and safety-related issues. HSE performance is also an important consideration in our annual assessment of scorecard performance, which is tied to compensation.

Merck's Executive Committee sets the strategic direction for health, safety and the environment within the Company and its divisions and periodically assesses progress reported by Merck's Vice President of Global Safety and the Environment, who also is responsible for recommending long- and short-term goals, objectives and metrics.

We have numerous policies, procedures and guidelines to direct our sites and operating organizations on expectations and implementation. In addition, for more than 20 years, Merck has conducted corporate safety and environmental audits of our facilities worldwide. We recently enhanced our corporate audit practices to make our audits even more detailed and rigorous.

SAFETY OF OUR EMPLOYEES Merck is committed to providing a safe and healthy workplace for all of our employees, contractors and visitors around the world. We also expect each employee to conduct his or her job without compromising the safety and well-being of our workforce or the communities in which we operate.

Merck strives for full compliance with all applicable country and local safety laws and regulations and to eliminate work-related injuries and illnesses from our operations globally. To this end, Merck health, safety and environment staff in our facilities and sales organizations implement programs, procedures and training to ensure compliance and address health and safety throughout our operations. In addition, most of our manufacturing and research sites have active safety committees that help engage employees and promote health and safety awareness.

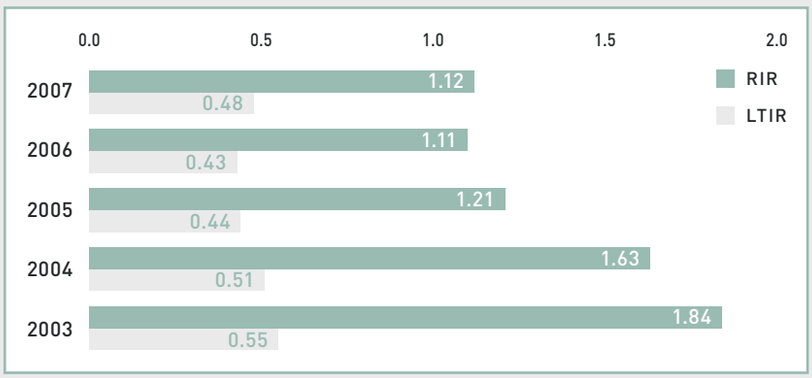
Globally, we require that all reported injuries, illnesses and incidents be reported and investigated to determine the causal factors of each event and that actions be taken to prevent recurrence. For consistency across the Company, and to enable performance comparisons, we use the U.S.-based Occupational Safety and Health Administration (OSHA) injury and illness record-keeping system. In 2007, our workplace injury and illness rates increased more than 2006. Our total recordable injury rate is still down 7.4 percent from the end of 2005, but our lost-time injury rate is up 9.1 percent since 2005. This increase in lost-time injuries coincides with a concerted effort

FOCUS ON EMPLOYEE HEALTH

Merck's Integrated Health Management group offers health programs and resources, including preventive occupational health programs, work-related injury and illness management, treatment for acute episodic conditions occurring during work hours, disability management, reproductive health and pregnancy advice, a business travel program, immunizations, lab and X-ray services.

In 2007, for U.S.-based employees, Merck introduced *Health Matters* to raise awareness of health issues and motivate employees to manage and improve their health and well-being. The program includes a health website, a confidential health assessment and interactive health tools. Anyone who takes the assessment and wants to work on an identified health risk has confidential access to a telephonic coach who provides advice and monitors progress on an ongoing basis.

GLOBAL RECORDABLE & LOST-TIME INJURY RATES



GLOBAL MOTOR VEHICLE ACCIDENTS PER MILLION MILES (APMM)

SAFETY AND HEALTH
PERFORMANCE DATA SUMMARY 2005–2007

	2007	2006	2005
Workplace Safety*			
» Safety Inspections	41	65	N/D
» Notices of Safety Violations/Citations	3	8	N/D
» Safety Fines Paid ($US) (number of fines)	1,500 (1)	1,975 (2)	1,000 (2)
» Reportable Injury Rate (RIR)	1.12	1.11	1.21
» RIR Percentage Change	0.9	-8.3	-25.8
» Lost-Time Incident Rate (LTIR)	0.48	0.43	0.44
» LTIR Percentage Change	11.6	-2.3	-13.7
» Fatalities	1	0	0
Accidents Per Million Miles (APMM)	9.64	9.92	10.40
Capital Projects Construction Safety*†			
» Reportable Injury Rate (RIR)	1.45	0.92	1.12
» DART‡/Lost-Time Incident Rate (LTIR)	0.39‡	0.07‡	0.15
» Fatalities	0	0	1
Number of U.S. employees who belong to a Merck fitness center	3,051	2,757	2,952
Number of U.S. employees who used *Health Matters*§	2,350	N/A	N/A

* LTIR/RIR: Calculated per OSHA methodology.
† Reflects all capital projects over $100,000 as well as some smaller projects managed by our global engineering group.
‡ DART: Days Away, Reassignment or Transferred calculated per Construction Users Round Table (CURT) methodology.
§ *Health Matters* not launched until 2007.

to improve injury reporting by our field sales force outside of the United States. For more information, go to www.merck.com/cr/employeesafety.

TARGETS AND PRIORITIES FOR THE FUTURE

- We strive for full compliance with applicable laws and regulations.
- Our major safety goal is zero fatalities. In addition, we want to reduce Company-wide recordable and lost-time injury rates by 15 percent in 2008 vs. 2007 performance.
- Another important target is to reduce the motor vehicle accident rate by 10 percent in 2008 vs. 2007 performance.
- We want to enhance our audit, self assessment and inspection programs, and also the safety and environment training for S&E professionals, operations managers and employees.

OUR SUPPLY CHAIN AND HOW WE MANAGE IT

In conducting our business, approximately 1,000 suppliers make up about 80 percent of our approximately $7.7 billion spend on goods and services worldwide. Merck purchases goods and services ranging from the active pharmaceutical ingredients and intermediates used in manufacturing our products, to office furniture, promotional items and supplies, to printing services and waste treatment and disposal services. We also work with numerous licensees worldwide who market and distribute our products.

Merck follows a global sourcing and relationship management strategy for materials and services worldwide with a special focus on the top suppliers of critical goods and services. We maintain strict quality, environmental, ethical, health and safety, and labor standards in our own operations—and we insist on responsible standards from our suppliers and licensees as well.

We recognize our responsibility to influence our suppliers and licensees to respect human rights standards defined in the Universal Declaration of Human Rights of the United Nations and the core labor standards set out by the International Labor Organization. Beginning in 2007, to help identify significant ethical or human rights concerns Merck's Global Procurement department introduced a new, detailed Supplier Ethical Assessment preselection questionnaire for all new suppliers of new products and services globally.

In the future, Merck's Global Procurement department will continue to apply a risk-based approach to managing *existing* suppliers, concentrating on those that provide the most critical goods and services. All suppliers are required to conduct business activities related to Merck in accordance with applicable laws and Merck's ethical business policies, practices and standards. To reinforce our procurement standards, we are developing an awareness program for Merck Procurement professionals that will supplement our Code of Conduct training.

EXTERNAL MANUFACTURERS OF OUR PRODUCTS

Recent media reports about quality control issues concerning various products manufactured in developing and emerging markets have resulted in customer questions about supply chains of all pharmaceutical companies. Merck employs internal standards and multiple controls to assure the safety of our products, regardless of where the finished product and active pharmaceutical ingredients are sourced.

We conduct due diligence and pre-contract audits of every potential new supplier of active pharmaceutical ingredients or formulated products to determine their acceptability, including whether the potential supplier operates in accordance with current Good Manufacturing Practices (cGMPs). As part of these audits, Merck reviews the systems that the potential supplier uses to assure the quality of materials it purchases for use in products that it hopes to supply to Merck. Only if the supplier meets Merck's stringent criteria, which include a review of the firm's regulatory inspection and outcome history, will Merck then negotiate a commercial agreement with that supplier. Our contracts with suppliers also stipulate that Merck will periodically audit the facilities in which they conduct manufacturing for Merck further to ensure that the supplier consistently meets cGMPs.

SUPPLY CHAIN MANAGEMENT
PERFORMANCE DATA SUMMARY 2005–2007

	2007	2006	2005
Percentage of completed Pharmaceutical Supply Chain Initiative (PSCI) surveys received from existing manufacturers (#)	54 (64)	N/A	N/A*
Percentage of facility visits conducted of potential external manufacturers of new business (#)	100 (19)	N/A	N/A*
Percentage spending on diverse suppliers	12	8	5
Percentage of Merck procurement employees trained in supplier diversity	100	100	N/R

* PSCI survey first implemented in 2007.
Update to full-year 2007 data: As of mid-2008, we have inspected 32 (100 percent) external manufacturers for new business proposed since the beginning of 2007 for any major safety, environmental or human rights issues. We disqualified certain potential suppliers because of EHS issues during this 18-month time period. Merck had received completed PSCI surveys from approximately 85 percent of existing external manufacturer suppliers and is actively following-up with the remaining companies.

In addition to audits and inspections, Merck performs quality tests on all active pharmaceutical ingredients that the Company purchases as part of our overall supplier qualification process, and performs further tests during subsequent stages of manufacturing. Merck also performs quality tests on all formulated products before we release them to the marketplace. These quality tests are performed to assure materials meet appropriate specifications.

ENSURING RESPONSIBLE ENVIRONMENTAL, LABOR AND HUMAN RIGHTS STANDARDS AMONG EXTERNAL MANUFACTURERS

In 2006, Merck was one of the five initial companies publicly to support the Pharmaceutical Industry Principles for Responsible Supply Chain Management, designed to ensure that working conditions in the pharmaceutical supply chain are safe, that workers are treated with respect and dignity, and that manufacturing processes are safe and environmentally responsible. We believe that respect for these principles will help assure the quality and continuity of supply, as well as the conduct by our suppliers of ethical business practices.

ENSURING CONTINUITY OF SUPPLY

Millions of people worldwide depend on our medicines and vaccines every day, many of which need to be available without interruption. Therefore, we employ numerous mechanisms to minimize the risk of supply interruption among our critical external suppliers, including risk mitigation plans and alternative sourcing arrangements where feasible.

SUPPLIER DIVERSITY

With our Supplier Diversity Program, we cast a wide net in our search for talent, seeking qualified suppliers, large and small, from all segments of the business community. This includes minority-, women-, veteran-, service-disabled-, HUBZONE and gay- and lesbian-owned business enterprises. We believe that working with qualified suppliers from diverse segments of the business community supports our business objectives and the economic development in the diverse communities that we serve. In 2008, Merck expanded our supplier diversity program to the United Kingdom and Canada.

SUPPLY CHAIN MANAGEMENT TARGETS AND PRIORITIES FOR THE FUTURE

- 100 percent completion of preselection Detailed Suppliers Ethical Assessment by potential suppliers of new business globally by 2010.
- Annual supplier supplemental ethics standards training for each procurement employee by 2010.
- 100 percent completion of Pharmaceutical Supply Chain Initiative (PSCI) survey by existing external suppliers of pharmaceutical intermediates and compounds by end of 2008.
- We plan to develop formal mitigation plans for those items sourced externally that are critical to ensuring our ability to supply finished product without interruption. Our target is to have plans for 20 percent, 60 percent and 100 percent of suppliers that fit within this category for 2008, 2009 and 2010, respectively.
- In 2008, Merck's CEO and Executive Committee signed a supplier diversity commitment to reach 14 percent in 2008 and 17 percent by 2010 as a percentage of total applicable spend in the United States and Puerto Rico. To reach these aggressive goals, supplier diversity is now a corporate objective for all divisions.

MORE INFORMATION ONLINE

You can find more information on the issues covered in this section, as well as on the following topics at www.merck.com/cr/basics.

- Corporate governance, including compliance, risk management, disclosures, and other governance functions, including safety & environment, patient safety and our research and development practices
- Merck's Diversity and Work Environment Center of Excellence, Global Constituency Groups, Employee Resource Groups, and other major diversity initiatives including the One Merck Diversity and Inclusion Award
- Results of Merck's global survey of flexible working practices
- Additional employee safety information on motor vehicle safety, ergonomics, process safety and industrial hygiene, as well as additional years of safety data

ENDNOTES

1 www.merck.com/about/corporate governance/docs/policy_board.pdf

2 For further details, see p. 75 of Merck's 2008 Proxy Statement.

3 For further details, see p. 70 of Merck's 2008 Proxy Statement.

4 www.merck.com/newsroom/press_releases/corporate/2007_0424.html

Advocacy and Outreach Relating to our Corporate Responsibilities

Public policy advocacy and engagement on critical issues are major elements of our CR approach and practices.

We engage with many stakeholders both to raise awareness and inform policy debates and to work collaboratively to address societal challenges. This engagement is fundamental to our understanding of—and developing responses to—society's expectations of our Company. It guides our business strategy and decisions and we believe it also enhances understanding of—and trust in—our business.

Merck has pioneered far-reaching programs and partnerships, the results of which demonstrate that working together can achieve more than individual stakeholders working alone to help further economic development and promote a healthier society.

OUR ADVOCACY AND PUBLIC POLICIES

Merck believes it is our responsibility to work with policy makers and other stakeholders—including payors, international organizations, nongovernmental organizations and other third parties—to explain our views ethically and transparently, provide analyses of the issues at stake, and share information that can help clarify complex topics and dispel misconceptions. We monitor policy developments and contribute to numerous debates at local, national, regional and global levels. We seek to remain consistent and transparent about the policies for which we advocate, recognizing the complexity and sophistication of a policy landscape that often does not lend itself to simple explanations. We believe that our positions support the sustainability of our business and are beneficial to society as a whole.[1]

Merck's advocacy approach supports the mission of our business, is conducted in accordance with our Code of Conduct, and is focused on the following key areas:

1. Improving patient access to medicines and vaccines based on the principles of innovation, competition and consumer choice;
2. Protection of intellectual property rights as a core component of our ability to innovate;
3. Creating and maintaining a fair, predictable and evidence-based system of research and product regulation; and
4. Establishing global operating climates that are transparent and conducive to free trade and free-market principles.

GOVERNANCE OF MERCK'S ADVOCACY AND PUBLIC POLICY

Merck's Executive Committee has overall governing responsibility for Merck's public policy program, guided by the Board Committee on Public Policy and Social Responsibility.[2] Our policy priorities are set by senior management, including presidents responsible for geographic regions. Merck's Global Public Policy Leadership Team, headed by the Vice President of Global Public Policy, leads the development and communication of policy positions on major issues based on input from internal business leaders and external stakeholders. Merck's Global Public Policy Network helps to develop and implement our policy program. This Network includes business managers, policy practitioners and other employees worldwide with responsibility for external affairs. We manage stakeholder engagement and advocacy activities at the regional, country or local level, with active involvement from regional presidents, country managing directors and both regional and country policy staff. Merck posts on our website our position statements on key public policy issues.[3]

WORKING WITH INDUSTRY AND TRADE ASSOCIATIONS

Merck is a member of numerous industry and trade groups. We work with these groups because they represent the pharmaceutical industry and business community in debates led by governments and other stakeholders, and because they are important in helping to reach industry consensus on policy issues. At times we may not share the views of our peers or associations. Merck representatives on the boards and committees of industry

> *The credibility of [the pharmaceutical] industry, and in fact, of much of science and medicine, is being called into question. We must restore trust in order to be respected voices in health care policy. We must do this not only for our sake, but for the good of the patients we serve.*

Richard T. Clark
Merck Chairman, President and Chief Executive Officer, Merck & Co., Inc.
Health Affairs Policy Summit, Washington, D.C., November 1, 2007

groups and associations ensure that we voice questions or concerns we may have about policy or related activities. We may even recuse ourselves from related association and industry group activities.

In April 2008, Merck Chairman Richard T. Clark was elected board chairman of PhRMA and will serve a one-year term. For a list of the major industry and trade groups that we work with globally, go to www.merck.com/cr/advocacy.

MAJOR POLICY ACTIVITY WORLDWIDE

In the past two years, we have contributed to public policy debates on numerous and varied issues, including:

IN THE UNITED STATES

- Supported the Physician Payments Sunshine Act legislation to create a uniform, national program for disclosing certain financial relations between industry and physicians.
- Supported efforts to strengthen anti-counterfeiting laws, including the Safeguarding America's Pharmaceuticals Act.
- Supported increased federal and state funding for vaccine programs.
- Supported legislation creating an independent entity that conducts science-based comparative effectiveness research as a means to achieve greater value and efficiencies in the U.S. health care system.
- Opposed legislation that would legalize the importation of pharmaceuticals from certain industrialized countries. Merck opposes importation because we believe it would compromise public trust in the manufacture and distribution of our medicines and harm research incentives.[4]

INTERNATIONALLY

- Promoted health care system reform, including initiatives to address pricing and reimbursement conditions for innovative products in the European Union, Asia Pacific and Latin America.
- Advanced increased access to innovative medicines in many countries by supporting bilateral and multilateral trade agreements promoting more open and transparent markets. For example, Merck supports the U.S.-Korea Free Trade Agreement, which, if ratified by both countries, would address discriminatory barriers to innovative pharmaceuticals in South Korea.
- Supported strong intellectual property protections in Europe, Asia Pacific and Latin America.
- Promoted policies that would support innovation and competitiveness in Mexico and other Latin America countries. For example, Merck supports the Global Initiative of the Council on Competitiveness.[5]
- Supported efforts to strengthen anti-counterfeiting laws, including in the Philippines where we are working with the local and research-based pharmaceutical associations to form the Safe Medicines Network to advocate against counterfeit medicines.

ENSURING ETHICAL INTERACTIONS WITH GOVERNMENT OFFICIALS WORLDWIDE

All Merck employees are required to adhere to Merck's high standards and act with integrity when interacting with government agents or engaging in any conduct related to governmental health care programs. This includes ensuring that all information provided to governmental entities is complete and accurate to the best of the employee's knowledge and belief. Merck's standards for governing interactions with government officials include guidelines concerning the U.S. Foreign Corrupt Practices Act to ensure employees strictly adhere to Company policies and procedures, local laws and U.S. laws when interacting with government officials, their family members and their representatives. The standards state:

"Merck's Ethical Business Practices Policy and these standards prohibit payments, including payments of Company funds or other assets, directly or indirectly, to government officials (including Foreign Officials) or persons acting on their behalf for the purpose of improperly influencing decisions or actions respecting Merck's business... Failure by employees to comply with these standards may have severe internal consequences, up to and including termination from the Company, as well as external consequences, including possible criminal prosecution and/or significant fines."

As part of Merck's global ethics and compliance training, in 2008, we are rolling out a new e-learning course on anticorruption and bribery designed to help employees understand our corporate policy on ethical business practices and compliance with the U.S. Foreign Corrupt Practices Act.

POLITICAL CONTRIBUTIONS AND SPENDING

Merck has been working with the Center for Political Accountability (CPA) in the past year on the development of best practices related to spending for political activities.[6] We believe we are generally compliant in all material respects with all major provisions of the CPA's "Model Code of Conduct for Corporate Political Spending" (see table on page 54). The Merck Board of Directors recognizes that the use of Company resources in the political process is an important issue for shareholders. We monitor our contributions to political candidates closely, in accordance with corporate policy. We seek approval by the Company's General Counsel and report our spending regularly to the Board.[7] To improve access to information about Merck's corporate political contributions in the United States, Merck annually posts on our website our contributions categorized by state, candidate and amount. Merck also discloses any contributions to committees known as 527 organizations.[8]

PRIORITIES AND TARGETS

- In 2008, Merck plans to begin disclosing on our website the portion of dues that major U.S.-based trade associations report to us as being used for advocacy and/or political activity purposes where dues are greater than $50,000.[9]
- In 2009, Merck plans to begin to include on our website all dollars spent globally on political campaign contributions.
- In 2009, Merck plans to report externally on adherence to ethical business practices related to corporate political spending, as recommended in the model code of conduct from the CPA.

CENTER FOR POLITICAL ACCOUNTABILITY[10]
MODEL CODE OF CONDUCT FOR CORPORATE POLITICAL SPENDING

		MERCK IN COMPLIANCE
1	Political spending shall reflect the company's interests and not those of its individual officers or directors.	✓
2	The company will disclose publicly all expenditures of corporate funds on political activities. The disclosure will include regular reports on the company's website.	✓
3	The company will disclose dues and other payments made to trade associations and other tax-exempt organizations that are or that it anticipates will be used for political expenditures. The disclosures shall describe the political activities undertaken. In the case of trade association payments, the disclosures will involve some element of pro-rating of the company's payments that are or will be used for political purposes.	✓*
4	Company disclosure of political expenditures shall include direct and indirect political contributions (including in-kind contributions) to candidates, political parties or political organizations; independent expenditures; electioneering communications on behalf of a federal, state or local candidate; and the use of company time and resources for political activity.	✓
5	The board of directors or a committee of the board shall monitor the company's political spending, receive regular reports from corporate officers responsible for the spending, supervise policies and procedures regulating the spending, and review the purpose and benefits of the expenditures.	✓†
6	All corporate political expenditures must receive prior written approval from the General Counsel or Legal Department, and the company shall identify all senior management officials responsible for approving corporate political expenditures.	✓‡
7	In general, the company will follow a preferred policy of making its political expenditures directly rather than through third party groups. In the event that the company is unable to exercise direct control, the company will monitor the use of its dues or payments to other organizations for political purposes to assure consistency with the company's stated policies, practices, values and long-term interests.	✓
8	No contribution will be given in anticipation of, in recognition of, or in return for an official act.	✓
9	Employees will not be reimbursed directly or through compensation increases for personal political contributions or expenses.	✓
10	The company will not pressure or coerce employees to make personal political expenditures or take any retaliatory action against employees who do not.	✓
11	The company shall report annually on its website on its adherence to its code for corporate political spending.	Future Target

* Disclosure of dues for advocacy purposes for major U.S. national and regional associations where dues are > $50,000. Links on our website to these organizations provide information on political activities undertaken.
† Merck has been providing annual reports on its corporate political spending globally (where allowed by law) to its Board of Directors since 1996; starting in 1Q 2009, we will begin to report to the Board the portion of dues that major U.S.-based trade associations report to us as being used for advocacy and/or political activities.
‡ Excluding trade association funds. Merck lists titles of senior management officials on our website.

ADVOCACY
PERFORMANCE DATA SUMMARY 2005–2007

	2007	2006	2005
Corporate political contributions — United States, Australia, Canada ($US)*,†	US: 470,625 AUS: 19,195 CAN: 58,396	US: 611,975 AUS: 20,292 CAN: 45,765	US: 337,140 AUS: 12,137 CAN: 46,700
Portion of dues that major U.S.-based trade associations report to us as being used for advocacy and/or political activities in the U.S. ($US)‡ **where dues are > $50,000**	6.9M paid to 8 groups	N/A	N/A
Compliance with political contribution evaluation criteria used by the Center for Political Accountability§	10 of 11 principles	N/A	N/A

* Totals reflect corporate contributions; employee contributions through the Merck Political Action Committee are not included.
† Political contributions in the United States, which are for state candidates, are always much greater in even-numbered calendar years, because that is when the overwhelming number of states hold their elections for state legislatures and governors.
‡ Because the U.S. tax law that requires this reporting does not apply outside the United States, trade associations that are not subject to this do not provide breakouts of lobbying expenditures from membership dues. Thus, at this time, Merck is unable to report these data for such lobbying expenses in other countries.
§ Merck was in compliance with 10 of the 11 Center for Political Accountability criteria. We plan to address the 11th principle — *The Company shall report annually on our website on adherence to our code for corporate political spending* — in 2009.

ENGAGING WITH OUR STAKEHOLDER GROUPS

Merck recognizes that the sustainability of our business is dependent upon our awareness, understanding and responses to society's expectations of our Company across many dimensions of our global activities, including our products and their effectiveness and safety profiles, how we make those products available, employment and ethical business practices, and our societal contributions and general impact. From discovery and development to distribution, our engagement with stakeholders guides our business strategy and decisions. We believe it also enhances understanding of—and trust in—our business.

As with any relationship, a lack of commitment can lead to distrust. This can be damaging and difficult to restore. But by actively engaging with our stakeholders, taking responsible actions and maintaining our commitments, we believe we can build trust and support. Over time, this can reduce financial and other enterprise risks and costs. Therefore, when we decide to engage, we see the relationship as long-term. We engage stakeholders by:

SUPPORTING In cases where multi-stakeholder partnerships are not feasible or appropriate, Merck provides financial and technical support to appropriate stakeholders.

DIALOGUE AND ADVOCACY We engage actively in dialogue with numerous stakeholders with varying perspectives and opinions to inform debates constructively and to foster progress toward solutions that benefit society more broadly.

FINANCIAL SUPPORT WITH INDEPENDENT THIRD-PARTY GROUPS

We strongly believe that our relationships with the medical community are vital to the advancement of science, medicine and the well-being of patients. Discovering, developing and bringing innovative vaccines and medicines to the market is our first responsibility. That mission cannot be accomplished without sustained relationships with a wide range of external organizations and health care providers. As we ask them to work with us, this work normally needs to be compensated or funded.

FUTURE COMMITMENTS

» In an effort to increase transparency in how we operate, in October 2008, Merck plans to begin reporting grants by Merck's Global Human Health division to U.S. organizations in support of independent accredited educational programs for health care professionals.

MERCK'S MANY AND DIVERSE STAKEHOLDERS

PATIENTS AND THEIR FAMILIES Everything we do is ultimately for the patient. We work hard to ensure that our innovative products meet the health needs of patients.

DOCTORS, HEALTH CARE PROFESSIONALS AND SCIENTISTS We aim to inform doctors and other health care professionals in a balanced way about our products and about our ongoing research efforts. During the course of our business we interact daily with physicians, health care professionals and researchers on research and clinical trials, to share information and to gain new perspectives on needs and opportunities.

PAYORS We are aware of payors' concerns about rising health care costs and limited budgets, and of the debates on how to make medicines and vaccines more affordable and accessible. We work with payors worldwide to ensure they understand that the price of our products reflect the value of those products and we also develop programs with payors to ensure our products can reach the people who need them most.

GOVERNMENTS, MULTILATERAL ORGANIZATIONS AND REGULATORS We are committed to conducting our business according to the letter and spirit of the law and regulations as well as the various standards of business practice that we endorse. When laws or regulations do not exist or are inadequate, we have created our own standards and used these to guide our practices. We work with policy makers, legislators, multilateral organizations and governments worldwide to ensure that policy and regulatory environments foster patient access to medicines and vaccines, and that they are conducive to ethical business practices, science and innovation.

SHAREHOLDERS We aim to create shareholder value by identifying opportunities to meet customer needs, and by managing our business responsibly to achieve superior financial results. In 2008, Merck's investor relations team was named most shareholder-friendly in the pharmaceutical sector by *Institutional Investor* magazine, a direct result of our efforts to foster dialogue and interaction with our shareholders.

COMMUNITIES WHERE WE OPERATE We strive to make a positive contribution to the communities where we work and on which we depend, through safe and responsible operations that have positive economic impacts, and socially through our philanthropy.

ISSUE EXPERTS IN ACADEME, NONGOVERNMENTAL ORGANIZATIONS AND MULTILATERAL ORGANIZATIONS We work with many organizations and individuals both to inform debates on pressing issues and to address societal challenges in partnership, especially for improving global health, but also in such areas as health and science education, environmental protection and ethical business practices.

ENVIRONMENTAL STAKEHOLDERS We work hard to manage our environmental footprint and to promote responsible environmental practices within the Company, by our partners and throughout our supply chain.

EMPLOYEES We want our workplaces to be productive, safe and professional so that all employees can offer their best. To this end, we foster positive working environments supported by teamwork, embracing diversity and inclusion, and encouraging professional development.

INVESTORS COMMITTED TO SUSTAINABLE INVESTING A growing number of investors are considering companies' environmental, social and governance performance in their investment decisions. Merck seeks to engage with these investors in open and transparent dialogue. As of August 2008, Merck was listed on the FTSE4Good Index, KLD Global Sustainability Index and the Access to Medicines Index.

SUPPLIERS AND BUSINESS PARTNERS We seek out the best suppliers and partners with whom to research, develop, produce and distribute our medicines and vaccines. We strive to foster basic protections in labor, employment, health and safety, ethics, diversity and protection of the environment throughout our supply chain and we are committed to working with our partners to ensure that our policies on corporate responsibility have broader impact.

TRADE AND INDUSTRY ASSOCIATIONS Merck engages with stakeholders through numerous organizations in which we are members. Within these groups, we aim to inform related debates in ways that are constructive and that ultimately foster improved access to medicines and vaccines globally.

FTSE4Good

Member of KLD Global 2008

» It is our intent to disclose over time our financial support to medical, scientific and patient organizations globally. (For a list of organizations by type we will disclose, go to www.merck.com/cr/financialsupportprinciples). We are beginning in the United States as this is where the largest amount of our support is directed. In 1Q 2009, Merck plans to begin reporting other grants/payments to U.S. organizations as well as grants made in Europe and Canada. Information provided on our website will include the name of the organization, along with a description of the activity and the amount of the grant provided. Merck will update this list quarterly in the United States, and annually for ex-U.S. jurisdictions. We will continue to expand our disclosure into other regions as we work to build the infrastructure and systems necessary to allow us to report this information on a global basis.

» In addition, in the United States, Merck has made a commitment to disclose payments of $500 or more made to U.S. nonprofit organizations. The Merck Company Foundation will disclose their grants separately starting in early 2009 at www.merck.com/cr/philanthropy.

MERCK AND PUBLIC/ PRIVATE PARTNERSHIPS

Many of the problems faced by society, particularly in developing countries, are so daunting and the financial resources required so substantial that new ways of working are essential. Sustainable solutions to societal challenges such as disease, lack of education, environmental problems and corruption must come from approaches that leverage the expertise of all stakeholders. Merck has pioneered far-reaching programs and partnerships, the results of which demonstrate that working together can achieve more than individual partners alone, and truly make a sustainable difference.

Merck has many decades of experience in developing public/private partnerships (PPPs), especially those focused on improving global health, but also on health and science education, environmental protection and ethical business practices. Our partnerships include a variety of initiatives, with diverse arrangements and participants, various legal statuses and modes of governance and management, assorted priorities and contributions by participants, and many different impacts. They range from small collaborations focused on distributing one product to larger entities fighting a global disease. Our objectives vary also; for example, with the Medicines for Malaria Venture we want to develop a product; with the Merck MECTIZAN Donation Program we donate a product to treat river blindness; with the African Comprehensive HIV/AIDS Partnerships we strengthen national and local health services; and with the Merck Institute for Science Education our focus is on increasing the number of students electing to study science.

In the past, Merck, like others in the private sector, might have just written a check and taken a more passive role. Today, we feel it is important to go beyond traditional philanthropy and to be far more involved in the development, implementation, management and evaluation of partnership programs to address critical societal issues, offering insights and capabilities that have worked well in the private sector to tackle analogous problems. In our partnerships, Merck provides expertise such as in R&D, technology, manufacturing, distribution, marketing and management. In some cases we also make a product or service available to the developing world through donations or, more sustainably, at an affordable price.

Although our partnerships are wide-ranging and diverse, Merck's approach is the same, stemming from decades of experience: We engage with partners who share common goals—even though we may not agree on everything.

PARTNERSHIP PRIORITIES FOR THE FUTURE

» We are working to ensure that all of the major PPPs in which we participate have clear annual performance requirements, where possible linked to the Millennium Development Goals. By 2010, we want to be able to report on the percentage of PPPs that report annually against such requirements.

MERCK'S PRINCIPLES FOR PROVIDING FINANCIAL SUPPORT TO MEDICAL, SCIENTIFIC AND PATIENT ORGANIZATIONS

INDEPENDENCE Merck respects the independence of medical, scientific and patient organizations and refrains from using our financial support to influence the policies of organizations or to promote specific medicines. To support independence, Merck will support only organizations that obtain funding from a variety of sources.

TRANSPARENCY Merck supports transparency of our interactions with medical, scientific and patient organizations including financial support that we provide them. We believe this is an important step in building public trust with both Merck and those with whom we work. Making public our support also enhances the visibility of Merck's commitment to help advance health and science.

COMPLIANCE WITH LOCAL LAWS In providing financial support to medical, scientific and patient organizations, Merck will comply with all relevant local laws and regulations.

MORE INFORMATION ONLINE

You can find more information on the issues covered in this section, as well as on the following topics at www.merck.com/cr/outreach.

- » Role of Merck Government Affairs professionals
- » Merck's corporate political contributions for 2007
- » Portion of dues that major U.S.-based trade associations report to us as being used for advocacy and/or political activities
- » Merck Action Network and Merck Employees Political Action Committee
- » Program on Pharmaceutical Policy Issues
- » Principles for stakeholder engagement and working with patient groups

ENDNOTES

1 Nelson J. CSR and Public Policy: New Forms of Engagement between Business and Government. John F. Kennedy School of Government, Harvard University, Working Paper 45; May 2008 (available at: www.hks.harvard.edu/m-rcbg/CSRI/publications/workingpaper_45_nelson.pdf)

2 www.merck.com/about/corporategovernance/docs/charter_pubsocres.pdf

3 www.merck.com/about/public_policy

4 www.merck.com/about/public_policy/importation/home.html

5 www.compete.org/about-us/initiatives/gii

6 www.politicalaccountability.net

7 www.merck.com/about/public_policy/political_contributions/home.html

8 www.merck.com/about/public_policy/docs/2007_corporate_political_contributions.pdf

9 www.merck.com/about/public_policy/political_contributions/home.html

10 Freed BF, Carroll J. Open Windows: How Codes of Conduct Regulate Corporate Political Spending and a Model Code to Protect Company Interests and Shareholder Value. Center for Political Accountability, Washington, D.C., 2007 (available at: www.politicalaccountability.net/files/OpenWindows03-22-07.pdf

Merck's Approach to Corporate Responsibility

Merck's vision of CR is founded upon Merck's values and an approach to business articulated by our founder's son George W. Merck in 1950:

"We try never to forget that medicine is for the people. It is not for the profits. The profits follow, and if we have remembered that, they have never failed to appear. The better we have remembered it, the larger they have been....

... How can we bring the best of medicine to each and every person?... We cannot step aside and say that we have achieved our goal by inventing a new drug or a new way by which to treat presently incurable diseases... We cannot rest till the way has been found, with our help, to bring our finest achievements to everyone."[1]

OUR APPROACH

George W. Merck's philosophy remains the foundation of our approach to CR today. Although Merck has long operated by these beliefs, our processes for managing some aspects of CR have not always been formal. We are changing that. We recognize that managing social, ethical and environmental issues well involves everyone at Merck. For this reason we have established new Company-wide processes for identifying what CR issues are important to our business success and to our stakeholders, and for more formally managing those issues in terms of performance and targets.

CR PRINCIPLES

Merck's core business is to discover and develop new medicines and vaccines that make a difference in people's lives. Our commitment to CR extends to how we achieve this goal:

- By conducting our business with high ethical standards
- By engaging in activities to expand access to quality health care around the world
- By making a positive and sustainable impact on the communities and societies where we live and work
- By meeting the needs of our employees in a fair and just manner

Integrated into Merck's approach is a commitment to transparency and constructive engagement with stakeholders. We recognize that issues that matter to key stakeholders can very quickly become material issues for our shareholders. Therefore, we seek to balance our responsibilities in ways that support our fiduciary duty to generate long-term shareholder value, while also considering the needs of other stakeholders.[2]

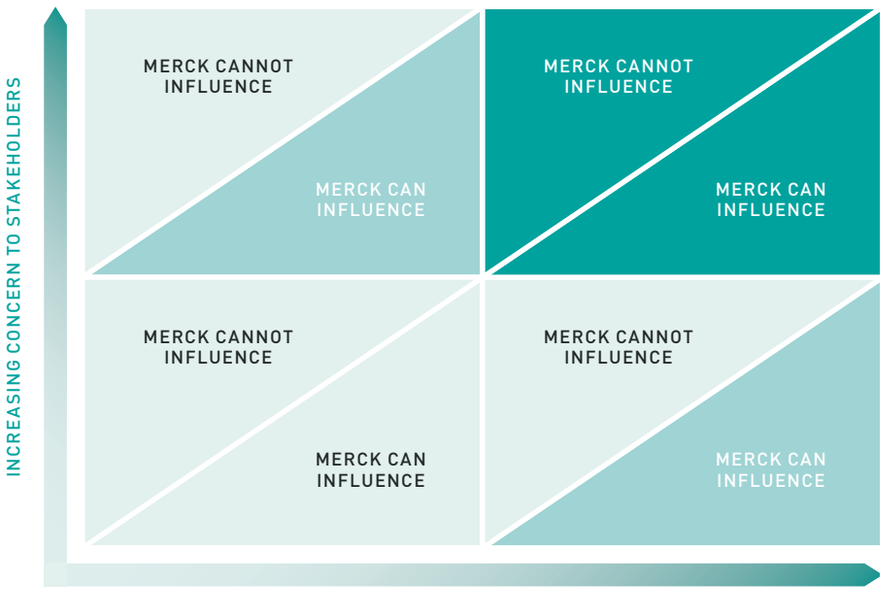
MATERIALITY ASSESSMENT PROCESS

In 2008, Merck conducted a materiality assessment, based, in part, on standards for sustainability reporting,[3] that included discussions with both internal and external stakeholders to identify those environmental, social and governance (ESG) issues of greatest significance to multiple stakeholders and to Merck's future success, and those that we have the ability to control or influence.

To identify the key ESG issues, we first compiled information on economic, environmental, governance and social issues that were relevant to Merck's business and stakeholders. To this end, we reviewed numerous sources, including:

- Merck corporate plans, objectives and strategies
- Company policies and initiatives
- Employee surveys and other inputs from employees

MATERIALITY APPROACH
IS THIS ISSUE MATERIAL AND SHOULD WE REPORT ON IT?



Issues in these boxes are material and the focus of reporting

Issues in these boxes are optional for reporting

Issues in these boxes are not currently covered by reporting

We believe our new approach to managing our CR will help to:

- Set CR aspirations
- Measure Merck performance in numerous areas across the Company
- Inform Company understanding and develop consensus on complex issues
- Identify and clarify the key issues for us and define the scope of the Company's responsibility for these issues and possible solutions, and
- Inspire our employees

- Customer feedback obtained through focus groups and other methods
- Shareholder resolutions and other feedback received through ongoing dialogue with shareholders
- Input from investors and investor groups committed to sustainable investing, partners, nongovernmental organizations, suppliers and other stakeholders
- Media coverage
- Stakeholder feedback on prior CR reporting
- Industry benchmarking
- The Global Reporting Initiative (GRI), Access to Medicines Index and other guidelines

Merck's Corporate Responsibility Council, a senior, cross-functional group with responsibility for the governance of the Company's CR, assessed these issues based on three parameters: 1) impact on Merck's ability to achieve our business strategy;[4] 2) level of concern to external stakeholders; and 3) the degree to which Merck can influence the topic or issue. We weighted issues raised based on their position on the chart and we combined this assessment with weighted analyses of media coverage, shareholder questions, and the presence of the issues in the GRI and other relevant indices. From this exercise we determined that the following broad issues are of greatest significance to Merck stakeholders and pose both risks and opportunities to Merck's future success:

a) Researching and developing new medicines and vaccines that address unmet needs

b) Improving access to medicines, vaccines and health care

c) Ensuring confidence in the safety and quality of our products

d) Conducting ourselves ethically and transparently

e) Managing our environmental footprint

Merck is committed to increasing the transparency of our reporting in terms of the challenges we face, our strategy and our performance with respect to each of these five issues. Following this process, Merck's CR Council began a systematic process to develop specific goals, targets and key performance indicators (KPIs) with which to measure Merck's performance in each of these areas. We aim to review them annually with Merck's Executive Committee and Board of Directors, beginning in 2008. Merck is also committed to disclosing this information through its annual CR Report.

We will continue to use the materiality process to refine our key CR issues in future reports, and anticipate that our process will evolve as we learn from experience and stakeholder feedback.

In addition to the key issues, Merck recognizes that many other ESG issues are of interest to stakeholders. For this reason, Merck will continue to report and communicate on additional ESG issues on our CR website and through dialogue with individual stakeholders.

EXTERNAL STAKEHOLDER REVIEW OF OUR REPORTING APPROACH In June–July 2008, Merck spoke with more than 20 external stakeholders representing a variety of constituencies. In one-on-one discussions, we talked about our planned approach to reporting, Merck's materiality assessment process and the broad material headings we had identified. We also shared with them a draft outline of our CR report, and our ideas for key performance indicators, metrics and targets.

Our goal in these discussions was to listen to our stakeholders' perspectives and recommendations. We have reflected their comments where feasible and appropriate in our website and CR report. We will use the insights gained through these and ongoing discussions with our stakeholders to inform future reporting. For a list of the stakeholders we spoke with and the changes we made in our reporting, go to www.merck.com/cr/externalinput.

CR GOVERNANCE AND PERFORMANCE MANAGEMENT

In 2007–2008, Merck's governance of CR began to change, with the goal of improving integration of CR-related processes and increasing accountability for performance across the Company.

THE OFFICE OF CORPORATE RESPONSIBILITY Merck's CR performance is dependent on all Merck employees and functions—from Merck's Chairman and Executive Committee, through each business unit, subsidiary, manufacturing plant and research laboratory. All of us at Merck are aware of our ethical responsibilities through *Our Values and Standards*—Merck's Code of Conduct.[5] But we recognize that a central coordinating function is necessary to optimize our performance, managed through the Office of Corporate Responsibility (OCR). The OCR is responsible for coordinating the development, implementation and communications of Merck's global CR approach and policy, and, with the CR Council, for reporting on Merck's CR performance. The OCR does this in parallel with its stakeholder engagement program.

Since its inception in March 2007, the OCR has brought new focus and coherence to the Company's approach to CR and has established more systematic processes for data gathering, analysis and collaborations. We expect the work of the OCR to support the Company's business strategy. The OCR is accountable for producing an annual CR report.

THE CR COUNCIL In addition to the OCR, Merck has established the CR Council, a formal governance body for Merck's CR approach, the membership of which includes senior Merck leaders across all divisions and major functions.[6]

EXECUTIVE COMMITTEE Merck's Executive Committee includes nine senior leaders representing the Company divisions and corporate functions. It is headed by Merck Chairman, President and CEO Richard T. Clark. With respect to CR, the Executive Committee is responsible for reviewing Merck's CR approach and related Company performance, for approving the CR report and for ensuring that CR matters are considered in business decisions.[7]

BOARD COMMITTEE ON PUBLIC POLICY AND SOCIAL RESPONSIBILITY Five independent directors comprise Merck's Board Committee on Public Policy and Social Responsibility. Chaired by Professor Johnnetta Cole, President Emerita of Spelman College and Bennett College for Women, the group is responsible for advising the Board of Directors and management on Company policies and practices that pertain to the Company's responsibilities as a global corporate citizen, our special obligations as a pharmaceutical company whose products and services affect health and quality of life around the world, and our commitment to the highest standards of ethics and integrity in all its dealings. Among its responsibilities, the Committee makes recommendations to the Board on proposals that relate to public policy and/or social responsibility issues submitted by shareholders for inclusion in the Company's proxy materials and also reviews Merck's public policy positions and strategies.[8]

In addition to the Board Committee on Public Policy and Social responsibility, other Board committees oversee aspects of CR-related issues, such as corporate governance, audit and compliance and executive compensation.[9]

MERCK'S APPROACH TO PHILANTHROPY

Philanthropy is a major element of Merck's commitment to CR. Through our philanthropic programs we have the ability to make a positive impact on health, science and quality of life issues facing the world's communities. We believe that improving global health is one of the most responsible and important contributions we can make to societies around the world.

Merck's philanthropic investments and program portfolio are guided by several key principles. We seek to:

- Address social issues that matter to Merck's business and our stakeholders
- Collaborate effectively with key partners for optimal impact and success
- Leverage not only cash and product donations but also the knowledge and technical expertise across our Company
- Measure and manage our progress in meeting societies' needs

WE MANAGE OUR PHILANTHROPIC GIVING THROUGH THREE MECHANISMS WITHIN THE OFFICE OF CORPORATE RESPONSIBILITY

- **OFFICE OF CONTRIBUTIONS** Supports charitable work that contributes not only to the health and well-being of people around the world, but also to Merck employees, our neighbors and others in communities where employees live and work and where the Company conducts business. This is accomplished through cash donations, the skills and expertise of our employees and through the donation of in-kind services. Members of the Office of Contributions, along with other groups within the Office of Corporate Responsibility, help guide the strategic direction of Merck's philanthropic efforts and, in collaboration with internal and external partners, participate in the implementation of charitable activities. Additionally, the Office of Contributions coordinates Merck's response to disasters throughout the world.
- **GLOBAL HEALTH PARTNERSHIPS** Engages with a range of stakeholders on initiatives that build health care capacity and provide Merck's medicines and vaccines free of charge, primarily in the developing world. The group coordinates the Merck Medical Outreach Program, the primary mechanism through which Merck donates our pharmaceuticals and vaccines for humanitarian assistance in the developing world and in support of disaster relief and emergency situations worldwide. Global Health Partnerships also manages the Merck MECTIZAN Donation Program and our HIV and AIDS partnerships.
- **THE MERCK COMPANY FOUNDATION** A U.S.-based private charitable foundation funded entirely by Merck. For more than 50 years, the Foundation has served as the Company's chief source of funding support to qualified nonprofit charitable and philanthropic organizations whose initiatives address important societal needs and whose goals are consistent with Merck's overall mission to enhance the health and well-being of people around the world. Since its inception, the Foundation has contributed more than $524 million to projects and partnerships around the world. Merck's Board of Directors serve as the Foundation's Trustees.

STRATEGY FOR CORPORATE GIVING

In 2007, Merck conducted a comprehensive review of our philanthropic portfolio and giving strategy, which included interviews with more than 130 internal and external individuals who have a common interest in our philanthropic undertakings and the principles and strategies that guide them. This process helped Merck refine our approach, leading to the adoption of a new corporate philanthropy strategy in 2008 designed to help increase the effectiveness of Merck's philanthropy and achieve measurable social impact. The strategy includes five priority areas that will guide the Company's philanthropic activities:

1) **Increasing access to medicines, vaccines and health care for underserved populations. Key initiatives include:**
» Merck MECTIZAN Donation Program
» Merck Medical Outreach Program
» Merck Childhood Asthma Network
» The Merck Alliance to Reduce Disparities in Diabetes

2) **Building health care capacity. Key initiatives include:**
» The African Comprehensive HIV/AIDS Partnerships
» China-MSD HIV/AIDS Partnership
» The Merck Vaccine Network–Africa

3) **Developing a diverse pool of world-class scientists. Key initiatives include:**
» The Merck Institute for Science Education
» The UNCF/Merck Science Initiative
» AAAS/Merck Undergraduate Science Research Program
» The Alliance/Merck Ciencia (science) Hispanic Scholars Program

4) **Promoting a policy environment that supports innovation. Key initiatives include:**
» Program on Pharmaceutical Policy Issues
» Ethics Resource Centers

5) **Addressing the critical needs of Merck communities. Key initiatives include:**
» Champions for the Environment
» Disaster Relief
» Neighbor of Choice Program
» Partnership for Giving

Employee Giving: Over and above our corporate philanthropy, our employees want to contribute to their communities. Merck also encourages that as a way for the Company to be an integral part of communities worldwide.[10]

MERCK RANKED 2ND LARGEST CORPORATE DONOR

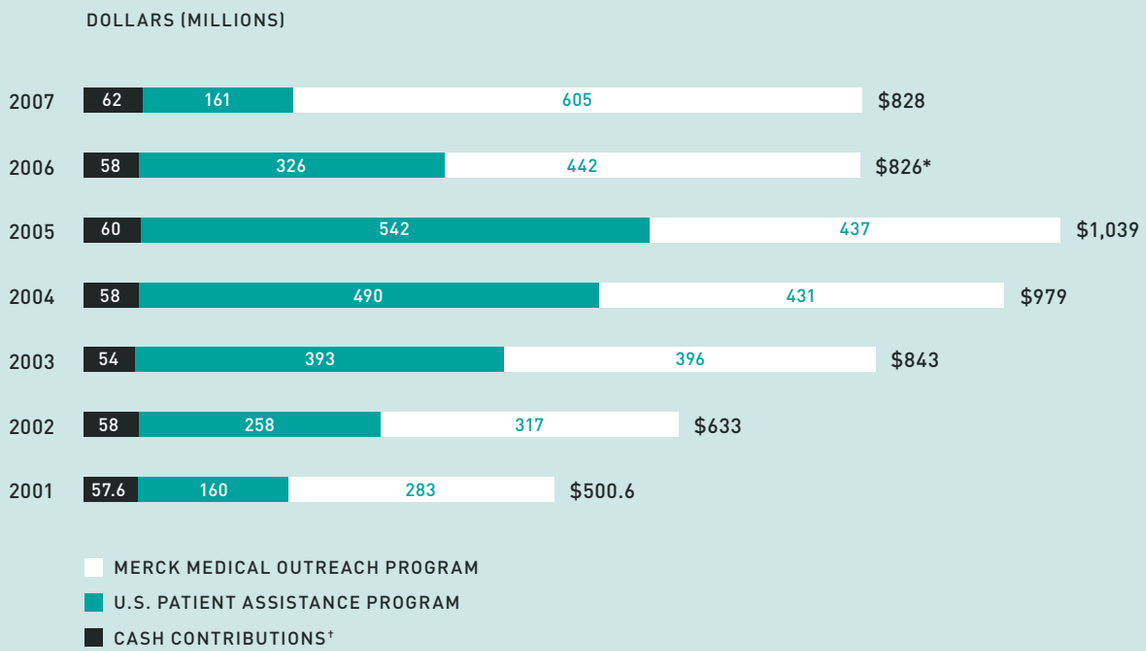
The Chronicle of Philanthropy ranked Merck as the second largest corporate donor in the United States in its 2007 annual charitable giving survey based on Merck's 2007 corporate giving. Annually since 1999, the *Chronicle of Philanthropy* has produced a ranking, based on charitable giving, of 150 of the largest corporations in the United States (as ranked according to annual revenue in *Fortune* magazine's Fortune 500). Merck has ranked consistently among the top two corporate donors in the United States in this annual ranking over the past several years.

GOVERNANCE In 2008, the Company established the Merck Philanthropy Advisory Council (MPAC) to provide senior management oversight, strategic counsel and regular review of Merck's overall corporate philanthropy portfolio. In addition to the MPAC's guidance, our corporate philanthropic activities are reviewed regularly by Merck's Executive Committee and the Board Committee on Public Policy and Social Responsibility.

Working closely with our partners, we formulate specific goals and metrics for the major initiatives in which we are involved, and we track these over time. We have rigorous oversight mechanisms in place for all of our programs, including such major initiatives as the Merck Institute for Science Education, the Merck Childhood Asthma Network, the Merck MECTIZAN Donation Program, the African Comprehensive HIV/AIDS Partnerships and the China-MSD HIV/AIDS Partnership.

We routinely engage external advisory boards to help provide oversight and direction for many of our major initiatives and partnerships. We also commission third-party evaluations to assess the overall impact of these initiatives, such as research performed over a 15-year period, first by the Consortium for Policy Research in Education and subsequently by Horizon Research, Inc., to evaluate the Merck Institute for Science Education.[11]

MERCK CONTRIBUTIONS AND DONATIONS



* Our philanthropic giving decreased after 2005 because of a reduction in the use of Merck's Patient Assistance Program, due mainly to an increasing number of patients with prescription drug coverage, including the Medicare Prescription Drug Program, which began January 1, 2006, and from the removal of ZOCOR® (simvastatin) and PROSCAR® (finasteride) from the eligible products list in 2007 once patients had broad access to lower-cost generic equivalents.

† Total Merck cash contributions are the sum of contributions from The Merck Company Foundation and Merck & Co., Inc.

Additionally, we aim to apply uniform guidelines and processes in our grantmaking and in the selection of program partners. We require our grantees to submit regular (usually annual) reports describing how Merck funds or products were used and the results achieved.

PRIORITIES AND GOALS FOR THE FUTURE Merck plans to begin reporting on our website by 1Q 2009 all philanthropic grants made through The Merck Company Foundation and the Office of Contributions. Information provided on our website will include the name of the recipient organization, program name/description, and the amount of the grant provided. Merck will update this list quarterly.

Merck also will continue to implement recommendations from a strategic philanthropy review we conducted in 2007, including:

- Integrating the guiding principles, values and priorities for Merck's philanthropy into transparent and uniform grantmaking processes.
- Improving evaluation approaches by incorporating performance measurement tools into all programs.
- Exploring how best to implement a more formal and global volunteerism strategy that will benefit communities and help develop our employees.
- Enabling more in-depth relationships with organizations and partners who share a common interest with us, and enhancing our value and the reputation of Merck.
- Building on successes such as the Merck MECTIZAN Donation Program and the African Comprehensive HIV/AIDS Partnerships to develop new long-term, multi-stakeholder partnerships that deliver positive impact and results.

For further details on our philanthropy approach, go to www.merck.com/cr/philanthropy.

ENDNOTES

1 www.merck.com/newsroom/executive_speeches/120150.html

2 www.merck.com/cr/principles

3 For example, the materiality standard in the GRI Reporting Guidelines available at www.globalreporting.org/NR/rdonlyres/ED9E9B36-AB54-4DE1-BFF2-5F735235CA44/0/G3_GuidelinesENU.pdf

4 For details on business strategy, see: http://www.merck.com/newsroom/executive_speeches/2007_1211.html

5 www.merck.com/about/conduct.html

6 www.merck.com/cr/crgovernance

7 www.merck.com/about/executive_committee/home.html

8 www.merck.com/about/corporategovernance/docs/charter_pubsocres.pdf

9 www.merck.com/about/corporategovernance/committees.html

10 www.merck.com/cr/employeegiving

KEY PERFORMANCE INDICATORS

	2007	2006	2005
Economic indicators			
Sales ($USM)	24,197.7	22,636.0	22,011.9
Annual cash dividend paid per share ($US)	1.52	1.52	1.52
Global tax expense as reported on income statement ($USM)[a]	95.3	1,787.6	2,732
Researching new medicines and vaccines to address unmet needs			
Merck's investment in R&D programs ($US)[b]	4.9B	4.8B	3.8B
Number of new products approved (Number of compounds in the pipeline — Phases I–III plus under regulatory review)	2 (49)	5 (57)	2 (58)
% of top 20 global burdens of illness addressed by our products and pipeline (as defined by WHO and excluding accidents, premature birth and self-inflicted injuries)	60	N/R	N/R
Phase II–V clinical trials conducted (in number of countries)	58 (54)	50 (49)	N/R
Manuscripts of clinical trial results and related papers submitted to peer-reviewed journals	172	172	N/R
Improving access to medicines, vaccines and health care			
Number of Merck products for which not-for-profit prices are offered to least developed countries	6	2	2
Number of patients on Merck ARV therapy — all formulations, all products (% in developing world)	763,118 (91)	701,391 (93)	N/D
% of total patients on Merck ARVs estimated to be children taking pediatric formulations of Merck's ARVs	15	19	N/D
Number of countries where Merck has committed to no-profit prices for ROTATEQ and GARDASIL	72	N/R	N/R
Number of low and middle income countries using Merck's vaccines in their public sectors	11	N/R	N/R
Number of country registrations of GARDASIL and ROTATEQ globally (and cumulative)	62 (164)	101 (102)	1
Product donations ($USM) (% in the developing world)[c]	766 (79)	768 (58)	979 (45)
Millions of treatments approved for river blindness through the MECTIZAN Donation Program (at 3 tablets per treatment)	128	118	114
Patients utilizing Merck's Patient Assistance Program[d] (total value of Merck medicines dispensed under Merck's PAP)	350,000 ($161.5M)	540,240 ($326M)	730,000 ($502M)
Major PPPs to improve access to medicines, vaccines or health care[e]	13	12	10
Ensuring confidence in the safety and quality of our products			
Product recalls in United States	2	0	1
Conducting ourselves ethically and transparently			
% of required employees who took *Know the Code* training[f]	90	N/A	N/A
% of response to disclosure statement on conflicts of interest	97	95	93
Calls to the Merck AdviceLine	149	77	80
Calls to the Office of Ethics/Ombudsman	600	597	770
% of substantiated (including alternate findings) allegations to concerns/issues raised in connection with our Code of Conduct through AdviceLine or Office of Ethics/Ombudsman[g]	9.5	8.3	10.2
Merck operations at significant risk of forced or compulsory labor, incidents of child labor, or violations of the right to exercise freedom of association and collective bargaining	0	0	N/D
Managing our environmental footprint			
Environmental inspections	76	88	N/D
Environmental events[h]	60	28	32
Environmental notices of violation	13	11	N/D
Environmental fines paid ($US)	31,515	10,652	281,025
Total energy use (million BTUs x 10^6)	15.2	15.5	17.5
Energy intensity (MMBTU/sq ft)	0.52	0.54	0.61
Total GHG emissions (as CO_2 eq — million metric tons)[i]	1.36	1.36	1.44
Total water usage (billion gallons) (% reduction versus prior year)	8.8 (8.3)	9.6 (5)	10.1 (13.6)
Emissions of ozone-depleting substances (metric tons)	1.4	N/D	N/D
Nitrogen oxides (NO_x) emissions (metric tons)	303	306	468
Sulfur oxides (SO_x) emissions (metric tons)	58	76	84
Emissions of volatile organic compounds (VOCs) (metric tons)[j]	401	427	411
TRI emissions (metric tons to air and water)	270	242	163
Hazardous waste generated in metric tons (% recycled)	54,000 (23)	62,300 (29)	60,900 (37)
Metric tons non-hazardous waste generated[k]	31,600	N/D	N/D
% of nonhazardous waste recycled[l]	42[l]	N/D	N/D

	2007	2006	2005
Valuing our employees			
Number of employees	59,800	60,000	61,000
Total compensation paid to employees/payroll excluding benefits ($US)	5.56B	5.14B	4.84B
% of women in workforce (globally)	48	49	49
% of women on the Board	23	25	25
% of women in executive roles (U.S.)	27	26	28
% of under-represented ethnic groups on the Board	17	17	17
% of under-represented ethnic groups in executive roles (U.S.)	11	12	11
% of employee response rate to Merck Culture Assessment survey[m]	72	77	N/A
Overall turnover rate	10.7	11.9	10.6
Safety inspections	41	65	N/D
Notices of safety violations/citations	3	8	N/D
Safety fines paid in ($US) (Number of fines)	1,500 (1)	1,975 (2)	1,000 (2)
Lost-Time Incident Rate (LTIR)[n, o]	0.48	0.43	0.44
LTIR % change	12	-2.3	-14
Reportable Injury Rate (RIR)[n]	1.12	1.11	1.21
RIR % change	0.9	-8.3	-25.8
Fatalities	1	0	0
Accidents Per Million Miles (APMM)	9.64	9.92	10.40
Supply chain management			
% of spending on diverse suppliers in the U.S.	12	8	5
Percentage of completed PSCI surveys received from existing external manufacturers (#)[p]	54 (64)	N/A	N/A
Percentage of facility visits conducted of potential external manufacturers of new business (#)	100 (19)	N/A	N/A
Philanthropy			
Merck's philanthropic contributions (total cash and product) ($USM)[c, q]	828	826	1,039
Cash contributions ($USM)	62	58	60
Advocacy and outreach			
Political contributions (U.S., AUS, CAN)[r]	US: $470,625 AUS: $19,195 CAN: $58,396	US: $611,975 AUS: $20,292 CAN: $45,765	US: $337,140 AUS: $12,137 CAN: $46,700
Portion of dues that major U.S.-based trade associations report to us as being used for advocacy and/or political activities in the U.S. ($US) where dues are >$50,000[s]	6.9M paid to 8 groups	N/A	N/A

KEY

N/A: not applicable; N/D: no data; N/R: not reported; many of these indicators are new for Merck and for this reason some prior year data points are not reported.

[a] The tax expense in 2007 reflected the reduction in domestic pre-tax income primarily resulting from the U.S. VIOXX settlement charge. For more information, please see our Form 10-K for the year ended December 31, 2007.

[b] Research activities and investments include all Merck divisions.

[c] We value our product donations based on the U.S. wholesale price.

[d] Totals include the U.S. Merck Vaccine Patient Assistance Program and are based on the U.S. wholesale price.

[e] Major is defined as with an investment by Merck of more than $500,000 per year and/or engagement with a national government. Therefore, these include MDP, MMOP, AAI, ACHAP, C-MAP, MVNA, ROTATEQ Partnership, GARDASIL Access Program, Nursing Libraries, MCAN, Diabetes Alliance, Blueprint and DHL Partnership.

[f] *Know the Code* was first implemented globally in 2007.

[g] When Merck substantiates allegations of ethical misconduct, it imposes a variety of disciplinary actions on those responsible for the misconduct, such as dismissal from the Company, issuance of final written warning letters and financial penalties.

[h] The increase in the number of events is due primarily to a modified regulatory interpretation in late 2006 that requires reporting for spills that were not previously required to be reported.

[i] In accordance with U.S. EPA Climate Leaders protocol, GHG generation baseline data have been adjusted to remove facilities that have been sold. In addition, Merck recalculated its GHG emissions for the years 2004 through 2007 based on new emissions factors released by EPA in April of 2007 (based on 2004 energy generation data), which resulted in reporting increased emissions for 2004, 2005 and 2006.

[j] Previously reported VOC data have been corrected.

[k] Data unavailable for a site sold at the end of 2007.

[l] 2007 was the first year we collected nonhazardous waste generation and recycling data. Data should be considered estimates.

[m] Survey not conducted prior to 2006.

[n] LTIR/RIR: Calculated per OSHA methodology.

[o] Data reflect a correction from previous reports also impacting 2003 and 2004 LTIR, 0.55 and 0.51, respectively.

[p] Pharmaceutical Supply Chain Initiative (PSCI) survey first implemented in 2007.

[q] Our philanthropic giving decreased after 2005 because of a reduction in the use of Merck's Patient Assistance Program, due mainly to an increasing number of patients with prescription drug coverage, including the Medicare Prescription Drug Program, which began January 1, 2006, and from the removal of ZOCOR® (simvastatin) and PROSCAR® (finasteride) from the eligible products list in 2007 once patients had broad access to lower-cost generic equivalents.

[r] Total reflects corporate contributions; employee contributions through the Merck PAC are not included.

[s] Because the U.S. tax law that requires this reporting does not apply outside the United States, trade associations that are not subject to this do not provide breakouts of lobbying expenditures from membership dues. Thus, at this time, Merck is unable to report these data for such lobbying expenses in other countries.

Our Medicines and Vaccines

PRODUCT NAME	THERAPEUTIC AREA
ATHEROSCLEROSIS & CARDIOVASCULAR	
Cozaar® (losartan potassium)	High blood pressure
Hyzaar® (losartan potassium and hydrochlorothiazide)	High blood pressure
Vytorin® (ezetimibe/simvastatin)*	High cholesterol
Zetia® (ezetimibe)*	High cholesterol
DIABETES & OBESITY	
Janumet® (sitagliptin/metformin HCl)	Type 2 diabetes
Januvia® (sitagliptin phosphate)	Type 2 diabetes
INFECTIOUS DISEASES	
Atripla® (efavirenz 600mg/emtricitabine 200 mg/tenofovir disoproxil fumarate 300 mg)†	HIV infection
Cancidas® (caspofungin acetate)	Certain fungal infections
Crixivan® (indinavir sulfate)	HIV infection
Invanz® (ertapenem sodium)	Certain bacterial infections
Isentress® (raltegravir)	HIV infection
Primaxin® (imipenem and cilastatin)	Certain bacterial infections
Stocrin® (efavirenz)‡	HIV infection
NEUROSCIENCE & OPHTHALMOLOGY	
Cosopt® (dorzolamide hydrochloride and timolol maleate)	Elevated intraocular pressure
Maxalt® (rizatriptan benzoate)	Acute migraine
Timoptic-XE® (timolol maleate ophthalmic gel forming solution)	Elevated intraocular pressure
Trusopt® (dorzolamide hydrochloride)	Elevated intraocular pressure
ONCOLOGY	
Emend® (aprepitant)	Prevention of postoperative or chemotherapy-induced nausea and vomiting
Emend® for Injection (fosaprepitant dimeglumine)	Intravenous prevention of chemotherapy-induced nausea and vomiting
Zolinza® (vorinostat)	Cancer [cutaneous T-cell lymphoma (CTCL)]
RESPIRATORY, BONE, ARTHRITIS & ANALGESIA	
Arcoxia® (etoricoxib)	Pain and arthritis
Fosamax® (alendronate sodium)	Osteoporosis
Fosamax Plus D® (alendronate sodium/cholecalciferol)	Osteoporosis
Singulair® (montelukast sodium)	Asthma, indoor and outdoor allergies
SPECIALTY	
Propecia® (finasteride)	Male pattern hair loss
VACCINES	
Comvax® [Haemophilus b conjugate (meningococcal protein conjugate) and hepatitis B (recombinant) vaccine]	Haemophilus influenzae type b and hepatitis B
Gardasil® [human papillomavirus quadrivalent (types 6, 11, 16, 18) vaccine, recombinant]	Cervical cancer, cervical lesions, vulvar lesions, vaginal lesions and genital warts caused by HPV types 6, 11, 16 and 18
M-M-R® II (measles, mumps and rubella virus vaccine live)	Measles, mumps, rubella (German measles)
PedvaxHIB® [Haemophilus b conjugate vaccine (meningococcal protein conjugate)]	Haemophilus influenzae type b
Pneumovax® 23 (pneumococcal vaccine polyvalent)	Pneumococcal disease
ProQuad® [measles, mumps, rubella and varicella (Oka/Merck) virus vaccine live]	Measles, mumps, rubella (German measles) and chickenpox
Recombivax HB® [hepatitis B vaccine (recombinant)]	Hepatitis B
RotaTeq® (rotavirus vaccine, live, oral pentavalent)	Rotavirus
Vaqta® (hepatitis A vaccine inactivated)	Hepatitis A
Varivax® [varicella virus vaccine live (Oka/Merck)]	Chickenpox
Zostavax® (zoster vaccine live)	Shingles

* *Vytorin* (marketed as *Inegy* outside the United States) and *Zetia* (marketed as *Ezetrol* outside the United States) are marketed through a partnership with Schering-Plough Corporation.
† *Atripla* is marketed by Bristol-Myers Squibb and Gilead in the United States, Canada and Europe. Merck and Gilead are working to register and distribute *Atripla* in 106 developing countries around the world.
‡ *Efavirenz* is marketed by Bristol-Myers Squibb as *Sustiva* in the United States, Canada and certain European countries, and by Merck in the rest of the world as *Stocrin*.

Design by Addison www.addison.com Photography from Susan Alderfer, the Carter Center, Bob Cimmino, Tom Maday and Bill Vanderdecker Writing support: Zoe Bell Consulting

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PO Box 100
Whitehouse Station, NJ 08889
USA

GRI APPLICATION LEVEL

We are pleased to have achieved a reporting level B on the Global Reporting Initiative (GRI) G3 Guidelines, and our self-assessment has been checked by the GRI as shown in the grid below:

		C	C+	B	B+	A	A+
MANDATORY	Self declared		REPORT EXTERNALLY ASSURED		REPORT EXTERNALLY ASSURED		REPORT EXTERNALLY ASSURED
OPTIONAL	Third Party Checked						
	GRI Checked			GRI REPORT GRI CHECKED			

More information can be found on the GRI at www.globalreporting.org.

Environmental Savings

Based on 5,100 lbs. of Mohawk Via Cool White 100% PC Recycled Paper, actual environmental savings are as follows:

- 48.96 trees saved
- 20,797 gallons of waste water flow saved
- 4,531 pounds of net greenhouse gases prevented
- 2,354 pounds of air emissions not generated
- 141.38 pounds of water-borne waste not created
- 2,301 pounds of solid waste not generated
- 34,680,000 BTUs of energy not consumed
- 5,601 cubic feet of natural gas unused

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