

Public Policy Position

MERCK SUPPORTS STRONG ACTION ON GLOBAL CLIMATE CHANGE

Merck supports strong international and national measures to address the challenges presented by climate change, including economic incentives for researching, developing and deploying low-carbon energy technologies.

In addition to adding our voice to the call for action, Merck is taking our own steps to proactively reduce energy and water demand, and greenhouse gas (GHG) emissions from our operations. As a health care company, we recognize that Merck has an important role to play in identifying, and responding to, the public health risks associated with climate change. We are increasing our collaboration with scientific, academic and government organizations to both assess these risks and to promote effective measures to address them – especially the health risks associated with threats to water supply in key regions of the world.

We believe Merck's longstanding support of stronger health systems and expanded access to medicines and vaccines in underserved areas is even more important given the evidence that certain disease patterns can be associated with changing climate conditions.

Merck's Position on Climate Change Public Policies

Merck supports the adoption of a global framework to address GHG challenges under which all major emitting countries are committed to emission reduction goals. In the absence of a strong global framework, we believe nations should approve their own programs to reduce emissions. The goal of such programs should be to stabilize and then gradually reduce GHG concentrations in the atmosphere to levels likely to mitigate the expansion of climate change impacts.

We believe it is critical for climate change policies to include incentives to stimulate private sector innovation and investment in technologies needed to transition to a low-carbon economy. A number of approaches under consideration around the world have the potential to achieve significant change. Merck hopes that by adding our voice to the discussion, we can help promote a political consensus in the United States and globally to achieve broad-based and meaningful action.

Merck's position on climate change policies is guided by the following principles:

- Any legislative or regulatory framework should be based on sound science and designed to encourage conservation and stimulate private sector innovation and investment that will enable reductions in carbon emissions to be achieved as efficiently as possible.
- The reporting of emissions and documentation of credits should be made through a clear and consistent registry that enhances transparency and stimulates action by industry.
- Companies that have taken early voluntary steps to reduce GHG emissions should be given appropriate credit for their verifiable actions.
- Public policies must be clear and stable, allow for flexible approaches to achieve emission reduction targets, and take into account the need for reliable and affordable world supplies of energy to support economic growth.

- Public policies should address the links between climate change, water scarcity and public health risks through the promotion of appropriate adaptation and mitigation measures including water conservation and management programs, and initiatives to strengthen health systems in targeted regions.

Managing the Risk of Climate Change in Merck's Operations

In 2009, Merck updated its Corporate Energy Policy, calling for the company to become the most efficient energy steward in the pharmaceutical industry. The revised policy makes employees responsible for optimizing the use of energy in all aspects of their work.

By implementing a comprehensive energy management system, Merck reduced energy demand at our facilities by more than 30 percent and water demand by 27 percent between 2004 and 2009. We reduced total global GHG emissions by 16 percent during the same period, far exceeding our goal. In 2010, we announced a new goal of reducing GHG emissions by 10 percent by 2012 from the 2009 baseline for the new, larger Merck.

Information on Merck's energy and water management initiatives can be found at www.merck.com/responsibility/environment/.

Reporting on our Performance

Merck is committed to measuring our progress in reducing energy demand, emissions and water use, and reporting on our progress to stakeholders in a timely and transparent way. Our reporting practices include:

- Annual disclosure of performance against key targets at www.merck.com/responsibility/environment/
- Annual disclosure of global GHG emissions to the Carbon Disclosure Project (CDP)
- Annual disclosure of GHG emissions of some of our largest suppliers via the CDP Supply Chain Program
- Annual disclosure of global water usage and impacts via the CDP Water Disclosure Project

Stakeholder Engagement and Leadership Activities

Merck has been engaged with a number of external organizations on the climate change issue, including the Business Roundtable Climate Resolve. In our discussions with external stakeholder groups as this position statement was being developed, it became clear that Merck can have a larger impact on climate change policy by taking a more active global leadership role on particular aspects of the issue.

Merck will also take a more proactive approach in encouraging our major trade associations to help advance strong public policies to address climate change. We believe the business community must be engaged on this issue in a constructive and meaningful way, promoting science-based solutions that will lead to more secure energy supplies and the creation of a low-carbon economy.

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