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MRK - Merck & Co Inc Annual Shareholders Meeting

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CORPORATE PARTICIPANTS

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Amy Klug

Kenneth C. Frazier *Merck & Co., Inc. - Chairman, CEO and President*

Roger M. Perlmutter *Merck Research Laboratories - President*

Sanat Chattopadhyay *Merck & Co., Inc. - EVP and President of Merck Manufacturing Division*

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Andrea Meyers

Gilbert Lachow

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William Sidun

PRESENTATION

Kenneth C. Frazier - *Merck & Co., Inc. - Chairman, CEO and President*

Good morning, ladies and gentlemen, and welcome to Merck's 2017 Annual Meeting of Shareholders. It is now 9 a.m., the official time to start our meeting. My name is Ken Frazier, Chairman of the Board and Chief Executive Officer, and it is my pleasure to call this meeting to order.

On the stage with me is the company's Executive Director, Investor Relations and Assistant Secretary, Amy Klug, who will serve as secretary of today's meeting. She's informed me that we have a quorum. I ask that you direct your attention to today's agenda, which we plan to follow as closely as possible.

The Audit Committee of the Merck Board of Directors has appointed PricewaterhouseCoopers LLP as the independent registered public accounting firm for Merck for 2017, subject to shareholder ratification at this meeting. Representing PricewaterhouseCoopers today are Joe Herron, Sonia Luaces, Denis Naughton and Chris Harris. Welcome, and thank you for joining us.

Before introducing Merck's current Board of Directors, I would like to acknowledge President and Chief Executive Officer of Mayo Clinic and Professor of Neurology of Mayo Clinic, College of Medicine and Science, John Noseworthy. John is a new candidate to stand for election by shareholders at this Annual Meeting. We look forward to benefiting from Dr. Noseworthy's firsthand insights about patient care and health care delivery as a leader of one of the largest nonprofit health systems in our country. We look forward to welcoming him to the Merck board when his election becomes effective.



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Now I will introduce Merck's Board of Directors. I ask the board members to please rise and remain standing as I read your names, and may I ask the shareholders to hold your applause until all are introduced. Leslie A. Brun, lead director of the board, Chairman and Chief Executive Officer, Sarr Group LLC; Dr. Thomas R. Cech, Investigator at Howard Hughes Medical Institute and distinguished professor at the University of Colorado; Pamela J. Craig, former Chief Financial Officer, Accenture plc; Thomas H. Glocer, retired executive officer of Thomson Reuters Corporation; Rochelle B. Lazarus, Chairman Emeritus and former Chief Executive Officer of Ogilvy & Mather; Carlos E. Represas, retired Chairman of Nestlé Group Mexico; Dr. Paul B. Rothman, Dean of the Medical Faculty and Vice President for Medicine of Johns Hopkins University and CEO of Johns Hopkins Medicine; Patricia F. Russo, Non-Executive Chairman, Hewlett-Packard Enterprise Company; Dr. Craig B Thompson, President and Chief Executive Officer of the Memorial Sloan-Kettering Cancer Center; and Peter C. Wendell, Managing Director of Sierra Ventures. Wendell P. Weeks, Chairman, Chief Executive Officer and President of Corning Incorporated, could not be with us today.

This superb Board of Directors represents a depth of experience in business, science and medicine and a broad range of global perspectives. Our company is indeed fortunate to be served by people of such experience, commitment and wisdom. I also want to express my deepest gratitude to C. Robert Kidder, who could not be with us today but is retiring after 12 years of serving on our company's board. Thank you, Bob. We've benefited immensely from your wisdom and insight. Now please join me in thanking our board.

Now I'd like to introduce the members of our senior leadership team. Please stand as I call your names, and again, I ask that the audience please hold your applause until all members have been introduced. I'd like to first introduce members of our Executive Committee: Sanat Chattopadhyay, Executive Vice President and President, Merck Manufacturing Division; Robert M. Davis, Executive Vice President, Chief Financial Officer and Global Services; Richard R. DeLuca, Jr., Executive Vice President and President, Merck Animal Health; Dr. Julie L. Gerberding, Executive Vice President and Chief Patient Officer, Strategic Communications, Global Public Policy & Population Health; Mirian M. Graddick-Weir, Executive Vice President, Human Resources; Michael J. Holston, Executive Vice President and General Counsel; Dr. Roger M. Perlmutter, Executive Vice President and President, Merck Research Laboratories; and Adam H. Schecter, Executive Vice President and President, Global Human Health.

In addition to our Executive Committee members, also joining us today are 3 other key senior leaders: Adele Ambrose, Merck's Chief Communications Officer; Rita Karachun, Merck's Controller; and Ashley Burns Watson, Merck's Chief Ethics & Compliance Officer. Ladies and gentlemen, please join me in recognizing the efforts of our talented senior management team.

And now I'm pleased to provide you with an update on Merck's business. 2016 was a very good year for the company. It also marked the 125th anniversary of our company and decades of bringing forth medicines and vaccines that have changed the world.

Merck has made significant contributions to improving human health for generations, from the introduction of vaccines and antibiotics in the early days to becoming leaders in cardiovascular disease in the 1980s, to introducing CRIVAN, now recognized for helping to change HIV from a death sentence to a manageable chronic disease in the 1990s, to innovations in more recent years, such as GARDASIL for HPV, JANUVIA for diabetes, ZEPATIER for hepatitis C and KEYTRUDA for cancer. We remain focused on tackling the world's toughest diseases as we continue our research in Alzheimer's, antimicrobial resistance, diabetes and vaccines, to name just a few.

As a company with a deep vaccine legacy, Merck moved quickly to develop an investigational vaccine for Ebola with the goal of trying to get ahead of or stave off another outbreak. With the recent Ebola cases being reported in the Democratic Republic of the Congo, I'm proud to say we stand on the ready to provide the vaccine if and when needed.

While we think Merck has had a good track record of delivering value for shareholders, society and patients, it may surprise you somewhat to know that very few people who are not directly connected with our industry or our company know who Merck is or what we do. Most people think of the biopharmaceutical industry as an undifferentiated group of companies, and the good that we do is often drowned out by negative sentiments and reports about a few bad actors whose decisions and behaviors tarnish us all. We believe that increased awareness about Merck and its enduring mission can help build greater trust, which is important because, unfortunately, our industry's and our company's reputation has not kept pace with our contributions. So what are we doing to improve Merck's reputation, you might ask. We're using the umbrella concept of Inventing for Life, a kind of verbal shorthand for what we do.



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In today's world, many people don't think about the medicines and vaccines that have saved millions of lives as significant breakthroughs. In fact, we recently took a survey and found that 95% of people don't even think of new medicines as among the most impactful inventions. Instead, the cultural popular impulse often is to put smartphones and other information technology products on that pedestal. We'd like to begin to change that, and one of the ways in which we are communicating our story is through a video designed to provoke a greater appreciation for our unique form of invention. Let's take a look at it.

(presentation)

Kenneth C. Frazier - Merck & Co., Inc. - Chairman, CEO and President

Thank you. These are early days in our stepped-up efforts to more effectively tell Merck's story. So far, the feedback we've received is encouraging and tells us that our message is starting to get through. We hope you'll agree.

Now let me turn to the company's recent performance. As I said, our performance was strong, and we delivered on what we promised. We drove growth across key areas of our broad and balanced portfolio, which enabled us to exceed our earnings per share commitments for the year. We saw our established business lines, vaccines, hospital and specialty care, diabetes and animal health, each perform well. Of note, our diabetes franchise continued to show volume growth despite increased competition and pricing pressure. And our animal health business grew largely through companion animal products, most notably, BRAVECTO, for flea and tick protection. We also saw a return on our investments in support of our product launches, KEYTRUDA, GARDASIL 9, ZEPATIER and BRIDION, which also shows that our strategy is working. And it's clear that our customers recognize the value of these new medicines and vaccines even in the face of constrained health care budgets.

Turning briefly to our results from the first quarter of 2017. We are off to a strong start again, with revenue gains in oncology, vaccines and animal health. These increases more than offset the substantial impact of the loss of nearly \$700 million in sales from medicines that have lost their market exclusivity. In the first quarter, we delivered revenues of \$9.4 billion, an increase of 1% year-over-year, and earnings of \$0.88 per share on a non-GAAP basis. Having started 2017 on a strong foundation, we raised the company's outlook for full year revenue and earnings per share.

A major hope for cancer patients and a driver of value for the shareholders is KEYTRUDA. We've already seen how KEYTRUDA is changing the landscape of treatment for many different cancers. And just last week, the latest indication for KEYTRUDA was approved by the FDA, this time for bladder cancer and for both first-line and second-line settings. Just a few weeks ago, KEYTRUDA received another key lung cancer indication, making it the first time an anti-PD-1 has been approved in combination with chemotherapy, in this case, with the commonly used chemotherapy drugs pemetrexed and carboplatin. Now KEYTRUDA is available to even more patients newly diagnosed with lung cancer, which remains our country's leading cancer killer. The expanded lung cancer approval is another step in Merck's exciting journey, as our immuno-oncology development program is one of the fastest-growing in the industry, with nearly 500 trials and across more than 30 different tumor types.

So now seems like a good time to invite the leader of Merck's Research Labs, Dr. Roger Perlmutter, to share his thoughts and insights about our clinical strategy for KEYTRUDA, a strategy that has been thoughtful and consistent from the start. So, Roger?

Roger M. Perlmutter - Merck Research Laboratories - President

Good morning, and thank you very much, Ken. As Ken mentioned, we've had a lot of opportunities to pursue important new discoveries in research and development at Merck. He talked about ZEPATIER, about BRIDION, about GARDASIL 9, but certainly, the most important recent invention from Merck Research Laboratories has been KEYTRUDA.

KEYTRUDA is revolutionizing the treatment of cancer, and it is doing so because it harnesses the patient's own immune system to destroy cancer cells. As you can see depicted on the slide, T lymphocytes, which are important cells in the immune system, are capable of recognizing tumor cells by virtue of the unusual characteristics of those cells. But many of those T lymphocytes, which could ordinarily recognize and destroy the tumor cells, are, in essence, paralyzed because they receive a signal through a receptor called PD-1, and that receptor binds to something that's made by tumor cells called PD-L1. And PD-L1, or sometimes another one called PD-L2, binds to that receptor and, as I say, paralyzes or prevents the activation



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of these T lymphocytes that could otherwise control the tumor. This is all information that we have learned recently, and we've learned it in large part because we've been able to develop antibodies that block the interaction between PD-1 and PD-L1. And when you do that, the activation of the T lymphocyte proceeds unhindered. We block that PD-1, PD-L1 interaction with a drug called KEYTRUDA, and KEYTRUDA permits T-cells to become activated and to destroy tumors.

What does that look like? Here's an example from one of the early studies in malignant melanoma. These are slides that were sent to us from Dr. Toni Ribas at the University of California, Los Angeles Medical Center. And the slide shows you a CT scan image looking at the thorax of a patient who has malignant melanoma. The melanoma tumor began on the skin, but as happens with such tumors, fairly quickly metastasized, in this case to the central part of the thorax. You can see this very large tumor mass, which is positioned within the chest cavity of this patient. The patient, as is shown on the slide, was a 72-year-old man whose disease had progressed despite the best available therapy at the time in 2012. Chemotherapy, a different kind of immunotherapy, interleukin-2 and also another kind of immunotherapy called ipilimumab. Nevertheless, the tumor continued to grow. In April of 2012, the patient received KEYTRUDA, and you can see, just 3 months later, the tumor mass has substantially disappeared. This patient, who was substantially compromised as a result of the presence of this tumor, maintained on continuous oxygen support with progressive lung disease. After just 3 months on KEYTRUDA, no longer required that support and was able to lead a much more normal life, and the patient is still alive today.

This slide illustrates important characteristics of treatment with KEYTRUDA. First of all, that even in the presence of very large tumor masses, KEYTRUDA given as monotherapy in many circumstances can cause dramatic shrinkage and reversion of the tumor. The second point is that these responses are often durable, lasting many years. And as a result, monotherapy with KEYTRUDA can actually bend the survival curve for cancer patients and improve overall survival. The image to have in mind is that of former President Jimmy Carter, who, at the age of 91, was found to have this same disease, malignant melanoma, widely metastatic, including metastatic to the central nervous system, with tumor masses in the brain. After administration of KEYTRUDA, those tumor masses have regressed, and as we know, former President Carter is still very much with us. Rapid responses, dramatic tumor shrinkage, durability and a change in the survival characteristics of patients with disseminated malignant disease, these are characteristics of treatment with KEYTRUDA.

So an interesting feature about KEYTRUDA is that because of the fact that we are treating the immune system of the patient and not the tumor itself, it's very broadly active. In fact, KEYTRUDA is the first truly broad-spectrum antineoplastic agent ever introduced into clinical practice. It has the breadth of spectrum of activity that you might expect, for example, from radiation therapy. Oncologists typically rely on the 3 pillars of therapy, being surgery, radiation therapy and chemotherapy. KEYTRUDA and other related drugs add a fourth pillar of immunotherapy, which is becoming increasingly important in the treatment of cancer.

The slide shows you that KEYTRUDA monotherapy is active in more than 20 different tumor types. On this slide, there are 20 tumor types listed. And what are shown are small, what we call, waterfall plots that simply plot the size of the tumor at some time after treatment. If the tumor shrinks, the line, green line, goes down. And if the tumor grows, the line goes up. And each line represents one patient. These are small groups of patients with each one of the disease -- each one of the diseases. We first obtained registration in melanoma. That was in September of 2014. KEYTRUDA was the first PD-1 directed therapy registered by the U.S. FDA. We then were able to obtain registration in non-small cell lung cancer in patients who had failed prior treatment. We also gained registration in head and neck cancer, and thereafter, we obtained registration in classical Hodgkin lymphoma, a tumor in which the responses are really quite remarkable, as you can see from the large number of green lines pointing downward in that particular tumor type. This is all in a monotherapy setting. More recently, as Ken mentioned, we obtained registration just last week in bladder cancer, and this morning, we announced that the FDA has accepted our file for the treatment of gastric cancer using KEYTRUDA.

Not shown on the slide is a file currently under review where multiple different tumors can be treated, provided that those tumors have defects in DNA repair. What we learned from a study that we began about 3 years ago was that tumors that have DNA repair defects become very sensitive to KEYTRUDA treatment, and that's true irrespective of the site where the tumor emerged. For the first time, assuming we gain approval for this indication, treatment will be based on the molecular characteristics of the tumor rather than the organ in which the tumor developed. This will be a major transformation for thinking about oncology in practice in the United States and elsewhere.

Now we had advanced a theory behind KEYTRUDA treatment going back a number of years. And when I say we, I mean in particular, Dr. Roy Baynes, who leads our clinical development program, and Dr. Roger Dansey, who leads the oncology program within clinical development. And together,



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the 2 of them have championed what is illustrated in cartoon form on this slide, which is that we have advanced monotherapy treatment through a variety of just different tumor types. But at the same time, we've been aware of the fact that KEYTRUDA potentially could be used in combination with other different therapies and probably with many different types of therapies. The slide shows you, at the bottom right, a graph of the number of clinical trials that we have initiated with KEYTRUDA, which is now more than 500. More than half of those are combination studies. And we have far more such trials underway than any of the competitors. The competitor trial numbers are shown in those different colored lines. Bristol-Myers Squibb is the closest to us, and they were the first to examine the development of a PD-1 inhibitor. But as you can see, we have far more trials underway, and those trials are beginning to yield important results.

An example of those important results is shown on this slide, as was mentioned by Ken, which is that what we have done is looked at the ability of KEYTRUDA when used in combination with pemetrexed and carboplatin, 2 standard chemotherapeutic agents, we've looked at the ability to treat non-squamous, that's a particular kind of cancer, non-squamous, non-small cell lung cancer. And what we found is that the combination of these 3 drugs together gave unprecedented responses. The response rate, in fact, for this combination is nearly double what you see with traditional therapy, which is shown in the top left panel. And on the bottom right panel, you see what is called progression-free survival, the survival of patients without any evidence of progression of their disease. The upper curve shows progression-free survival with the combination. The lower curves show progression-free survival with typical chemotherapy. And you can see that progression is delayed, and survival, we believe, will be enhanced as a result of the fact that we have introduced this triplet combination into first-line cancer therapy.

This combination was approved by the U.S. FDA 2 weeks ago and is currently under review in Europe. We have every reason to believe that these responses, like those that we've seen in other circumstances, will be durable. And that durability is really, really important. It changes the lives of everyone who's affected by cancer, and cancer affects 25% or more of the population.

So in closing, I'd like to ask you to remember that slide that showed the 20 different tumor types and the responses that we see in each of those cases. One of those is an unusual tumor called mesothelioma. Mesothelioma is a tumor that arises typically in the tissue surrounding the lungs. It is associated with asbestos exposure, but that's not the only thing it's associated with. Fairly early on, we began studies in mesothelioma because there really are not very good therapies, and we were surprised to see how good the responses were.

Often, we receive letters from patients who've been involved with our clinical trials and have had good responses. The letters are heartwarming and affecting. One patient who had developed aggressive mesothelioma sent us a letter that caught our attention. It was just at the holiday season, the end of 2016. He said, "After 3 years and 9 months battling mesothelioma, because of what KEYTRUDA has done for me, I want to send my best wishes to everyone at Merck for a Merry Christmas and a Happy New Year." He told us that because his life had changed, because he knew he could now survive, he decided to buy his bucket list car, and he sent us a photo.

KEYTRUDA, it's changing the world. Thank you very much.

Kenneth C. Frazier - Merck & Co., Inc. - Chairman, CEO and President

Thank you, Roger. As you just heard, we will continue to move at an unprecedented pace because we need to do everything possible to bring new hope to people living with cancer.

KEYTRUDA is proof positive that our strategy is right and is working. Our strategy to be the premier research-intensive biopharmaceutical company in the world is designed to enable us to be successful in both the short and the long term. We are focused on pursuing the latest science to address the most significant unmet medical needs. We continue to prioritize our resources to invest in the highest areas of growth, such as new product launches, and to invest in key markets and customers.

And our strategy calls for us to continue to adapt our business model to keep pace with the changing world. And this is no easy task, but the global health care market is evolving and quickly. First, there's increased demand for health care. Second, at the same time, the sustainability of the health care system itself, with skyrocketing costs, continues to be challenged. And third, as you just heard, rapid advances are being made in science and technology.



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Our goal is profitable, sustained growth over the long term. Given that our products have limited patent lives, not every year has been or will be a robust growth year. But I'm pleased to report that this year, we are planning to grow despite the expected loss of approximately \$4 billion in sales due to patent expirations. As you can see from this slide, we have managed for the long term and have delivered shareholder returns above our peer group over time.

As an innovation-based company, our top priority is investing in breakthrough research, because that is the key to long-term value creation in this business. Unlike some other pharmaceutical companies, Merck has made significant, consistent investments in R&D year after year, and we have never wavered despite headwinds and short-term challenges to our business. Last year alone, we invested nearly \$7 billion in R&D. Creating life-saving medicines is inherently risky and difficult, which is why it is critically necessary that research-based companies like Merck have the incentives in place to invest in order to invent.

Our industry continues to face challenges regarding drug pricing in the United States and other key markets around the world. We need to advocate strongly for sound public policies so that Merck's and other interventions are recognized and rewarded for the value they deliver to patients and to health care systems. This is so important to enable us to recoup and then reinvest in the next wave of drug discovery. Earlier this year, I had the opportunity to speak, along with other industry CEOs, with President Trump in an effort to better familiarize him and members of his staff with the substantial costs and risks inherent in the work we do and the important contributions research-based companies like Merck make to the American people and the American economy.

We also talked about the issues that we believe are important. It's well recognized that our tax and trade policies have not always worked to enhance American competitiveness. Our tax laws, in particular, have worked against us. We need a tax code that enables U.S. companies to compete on a level playing field with our foreign competitors, and this will help lead to greater economic and job growth here in the United States.

There's obviously a lot going on right now in Washington on health care reform, and we remain part of the ongoing dialogue. Importantly, we want to work with this administration to continue market-based competition that supports innovation and facilitates patient access. Ultimately, we believe competition is the best way to bring prices down.

Another issue we discussed is the need to make health care more affordable, especially for patients who are managing higher and higher out-of-pocket costs for their medicines. While we work towards policy and systemic changes, we know Merck has an important role to play in partnership with others and on our own, such as continuing to offer eligible patients help in paying for their medicines and navigating their insurance. Merck has a history of pricing our products responsibly, and we must continue that as well. For anyone who hasn't seen Merck's U.S. transparency report on drug pricing that we released earlier this year, I encourage you to take a look on merck.com. Noteworthy is the fact that since 2010, we have kept our average net price increase across our entire portfolio each year in the low to mid-single digits. Unfortunately, the price increase actions of some other companies have led many to question the character of our industry. I believe there's a big divide between companies like Merck that are truly and consistently committed to R&D and responsible pricing from those that are not and those that rely on an entirely different business model.

In addition to advocating for sound policies, we need to help the public understand the importance of the work we do for them. This brings us back to why we recently launched our multiyear Inventing for Life program focused on telling the story about our impact on the lives of millions of people. Our hope is that a better appreciation for what we do may also lend greater support to creating an environment that will allow us to invent the next new treatments or even cures.

Before I close, I want to touch on a few other Merck contributions that continue to improve the welfare of people around the world in partnership with others who also care about life in the same way we do. First, this year marks the 30-year anniversary of the Mectizan Donation Program. The sustained commitment and front-line efforts by many are changing the possibilities for families, for communities and for entire nations. In fact, just a few months ago, Togo became the first country in Africa to validate the elimination of lymphatic filariasis. This comes on top of global health agencies confirming the elimination of river blindness in Colombia, Ecuador, Guatemala and Mexico in the last few years. As some had envisioned years and even decades ago, the tide is finally turning against these diseases.

Another update I'm pleased to provide is about Merck for Mothers. This global initiative has been in place for only 5 years, but we're already seeing impressive progress and results. To date, we've improved access to quality maternal health care and family planning services for more than 6 million



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women, and we've worked with more than 90 partners to establish over 50 programs in more than 30 countries. No longer a newcomer to the cause of combating maternal mortality, our global health partners have commended us for showing how the private sector can play a pivotal role and for leading by example by offering a host of company resources, from financial to time from staff and employee volunteers, to sharing our business knowledge and expertise.

In closing, we are performing well across all key elements of our business. Through our innovative medicines and vaccines, we look to continue to deliver meaningful results for patients and health care systems while also driving long-term growth and value for shareholders like you. We have the right strategy in place to be successful in the near term and the long term.

As with science itself, our company's progress over the years has been evolutionary. We owe a great debt of gratitude to senior managers and employees for the difficult and consequential decisions and actions that have made today's Merck possible. Similarly, I wish to acknowledge the vital contributions of our board, our current management team and thousands of Merck employees around the world.

We look ahead with confidence, knowing that the present set of scientific and business challenges and opportunities will indeed bring out the best in Merck people, as they always have. On behalf of all of my Merck colleagues, I sincerely thank you for your continued support of Merck and of our mission.

Continuing now with the meeting, I note for the record that Michael J. Holston and I are members of the Proxy Committee. And now I ask Ms. Klug, as the secretary of the meeting, to report on our quorum and other matters.

Amy Klug

Mr. Chairman, proxies have been received totaling 2,382,067,000 votes, or 87% of the total votes entitled to be cast. This substantially exceeds the majority required for a quorum. This meeting is held pursuant to the Notice of Annual Meeting that we began mailing on April 10, 2017, to all shareholders of record on March 27, 2017.

Kenneth C. Frazier - Merck & Co., Inc. - Chairman, CEO and President

Thank you. In accordance with the resolution of the board dated March 28, 2017, Michael J. Barbera and William Marsh of IVS Associates, Inc., are appointed as inspectors for this meeting and have executed an oath of office to conduct the voting and canvass and receive the ballots. In the interest of time, we will dispense with the reading of the minutes of our previous meeting, but the minutes are available to anyone who wishes to see them.

The proposals will be presented in the order outlined in the proxy statement. There will be an opportunity for questions on each proposal. To give everyone a chance to participate, we ask that any questions pertaining to the proposals be no longer than 3 minutes. At this time, I would ask that you please limit your questions to the specific proposal on the floor. Afterwards, there will be time for general questions later in the meeting. If you have a question, please raise your hand and wait to be recognized. When it is your turn, the microphone in front of you will be on and ready for use. Please speak into the microphone, identify yourself and spell your name before asking your question.

If you've already mailed in your proxy or voted by telephone or by Internet, you do not need to vote now unless you wish to change your vote today. Please raise your hand so that ballots may be distributed to you. If your shares are held in street name and you have a legal proxy from your broker to vote your shares, you will need to take a ballot. We ask you to mark the appropriate part of your ballot after each item is presented. The inspectors will collect the ballots and legal proxies when all voting is completed. I declare the polls officially open.

Okay. The first item of business is the election of directors. The board's nominees are: Leslie A. Brun; Dr. Thomas R. Cech; Pamela J. Craig; Kenneth C. Frazier; Thomas H. Gloer; Rochelle B. Lazarus; Dr. John H. Noseworthy; Carlos E. Represas; Dr. Paul B. Rothman; Patricia F. Russo; Dr. Craig B. Thompson; Wendell P. Weeks; and Peter C. Wendell for terms expiring in 2018. I note for the record that no nomination for director has been properly made in advance of this meeting by any shareholder of the company. Are there any questions about the director nominees?



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Those shareholders voting in person should now mark their ballots for directors.

(Voting)

Kenneth C. Frazier - Merck & Co., Inc. - Chairman, CEO and President

We now turn to a proposal to approve, by a non-binding advisory vote, the compensation of our named executive officers. The Board of Directors recommends a vote for this proposal. Are there any questions on this proposal?

If you are voting in person, again, please mark your ballots with respect to this proposal.

(Voting)

Kenneth C. Frazier - Merck & Co., Inc. - Chairman, CEO and President

We turn now to a proposal to approve, by a non-binding advisory vote, the frequency of future non-binding advisory votes to approve the compensation of our named executive officers. The Board of Directors recommends a vote for every year as the frequency of future non-binding advisory votes on executive compensation. Are there any questions on this proposal?

If you're voting in person, please mark your ballots with respect to this proposal.

(Voting)

Kenneth C. Frazier - Merck & Co., Inc. - Chairman, CEO and President

The next item of business is a proposal to ratify the appointment of PricewaterhouseCoopers LLP as the independent registered public accounting firm for 2017, as set forth in the proxy statement. The Board of Directors recommends a vote for this proposal. Are there any questions on this proposal?

If you're voting in person, please mark your ballots with respect to this proposal.

(Voting)

Kenneth C. Frazier - Merck & Co., Inc. - Chairman, CEO and President

We now come to the shareholder proposals. The first shareholder proposal is from Mr. Kenneth Steiner and concerns an Independent Board Chairman. Is Mr. Steiner or an authorized representative here to introduce this proposal?

Good morning.

Unidentified Participant

Good morning. My name is [James]. The proposal is the shareholders request our Board of Directors to adopt as policy, and amend our governing documents as necessary, to require the Chair of the Board of Directors, whenever possible, to be an independent member of the board. The board would have the discretion to phase in this policy for the next CEO transition, implemented so it does not violate any existing agreement. If the board determines that a chair who was independent when selected is no longer independent, the board shall select a new chair who satisfies the requirements of the policy within a reasonable amount of time. Compliance with this policy is waived if no independent director is available and

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willing to serve as chair. The proposal requests that all necessary steps be taken to accomplish the above. Examples of companies adopting the proposal include Caterpillar. Caterpillar reversed itself by naming an independent board chairman in October 2016. Caterpillar had opposed a shareholder proposal for an independent board chairman as recent as its June 2016 Annual Meeting. Wells Fargo also reversed itself and named an independent board chairman in October 2016. A number of institutional investors said that a strong objective board leader can best provide the necessary oversight of management. Thus, the California Public Employees' Retirement Systems' Global Principles of Accountable Corporate Governance recommends that a company's board should be chaired by an independent director, as does the Council of Institutional Investors. An independent director serving as chairman can help ensure the functioning of an effective board. Thank you.

Kenneth C. Frazier - Merck & Co., Inc. - Chairman, CEO and President

Thank you. The board's statement in opposition to this proposal was published in the company's proxy statement for this Annual Meeting. Are there any questions on this proposal? There's a question in the back.

Josh Reisman

Yes. Good morning. Thank you. My name is Josh Reisman. I'm a shareholder. J-O-S-H R-E-I-S-M-A-N. I view Merck as a leader, not only in the primary focus of Merck's business, but also in governance. And I'm wondering, is there any reason that you or other board members would oppose this?

Kenneth C. Frazier - Merck & Co., Inc. - Chairman, CEO and President

As we said in the proxy statement, the reason is because the board maintains the discretion during each CEO's tenure or between CEOs tenure to consider the governance structure of the company. And for that reason, the board feels that it's capable of protecting the shareholders' long-term interests by providing its independent oversight and in whatever particular circumstances they may deem necessary to separate the Chairman and the CEO. They still have the opportunity to do so.

If you are voting in person, please mark your ballots with respect to this shareholder proposal.

(Voting)

Kenneth C. Frazier - Merck & Co., Inc. - Chairman, CEO and President

The next item of business is a shareholder proposal from Holy Land Principles Inc. concerning employee practices in Israel and Palestine.

Robert Thomas

Good morning, Mr. Chairman and everyone here. I rise to move the resolution on the Holy Land Principles. My name is Robert Thomas, from Fredericksburg, Virginia. The Holy Land Principles are pro-Jewish, pro-Palestinian and pro-company. The principles do not call for quotas, reverse discrimination, divestment, disinvestment or boycotts in any way. The Principles do not take any position on solutions to the Israeli-Palestinian issue. The principles do not try to tell the Palestinians or the Israelis what to do. Holy Land Principles only call for fair employment by American companies in Palestine and Israel. Let me repeat that, that the Holy Land Principles only call for fair employment by Merck and the other American companies doing business in the Holy Land. Irrespective of what Americans think about the Palestine-Israel issue, one thing is certain. Americans expect American companies in the Holy Land to practice fair employment. Yet incredibly, before the Holy Land Principles were launched in 2012, the issue had never been brought before Merck or any other of the 542 American companies doing business in Israel and Palestine. Our resolution calls on Merck to set the standard by signing and implementing the Holy Land Principles, which are based on the very effective Mac Bride Principles for Northern Ireland. Initially, American companies resisted the Mac Bride Principles, but now 116 companies, including Merck, to its credit, have signed the Mac Bride Principles. So why would Merck or any American company refuse to sign the Holy Land Principles? In 2015, GE, Corning and Intel tried to get the SEC to exclude the Holy Land Principles resolution from their 2015 proxy materials. However, the SEC ruled in favor of the Holy



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Land Principles. Therefore, you know the Holy Land Principles are intrinsically valid, inherently fair and reasonable and in the best American tradition. Furthermore, the Holy Land Principles are fully consistent with ESG issues and are a practical and particularized application of the Reggie Principles for Northern Ireland. Fair employment by the company is not only morally right but makes good economic sense, good for the company, enhancing its reputation and making it more profitable for its investors. Signing the Holy Land Principles will send out the very strong message that Merck is, in principle and in practice, committed to American fairness in its operations in the Holy Land. Who could be opposed to that? Please vote for the Holy Land Principles. It's the American way. God bless America.

Kenneth C. Frazier - Merck & Co., Inc. - Chairman, CEO and President

Thank you. The board statement in opposition to this proposal was published in the company's proxy statement for this Annual Meeting. Are there any questions on this proposal?

There's a question in the back.

Irene Van Hattem

Well, I read that. First of all, Merck is a pharmaceutical company. Irene Van Hattem. Merck is a pharmaceutical company. It is not some educational institution and #4 and 5 -- no, 2 and 3, wanted you to do all this education. Where is the initiative on people to get what they need for your company? My kids studied so they could have jobs that they know what their company needs. And 4 and -- 2 and 3 kind of say, well, teach your kids this, teach your kids that or teach that. I mean, it's ridiculous. Now I don't really know -- 1, 4 and 5, of course, we have these laws in America, so there'll be -- your discrimination laws -- I mean, every agency in the government would be after you if you did not comply with those. Now I don't know if that applies to Israel or if we do business in foreign countries. But anyway, I just feel that they were off target about that, and people should take some initiative to get the job they want and need and not just rely on you to do everything.

Kenneth C. Frazier - Merck & Co., Inc. - Chairman, CEO and President

Thank you for your comments. And I'll just say that the company is committed, as its policies made clear, both in the U.S., in Israel and worldwide to provide equal opportunity employment to any and all candidates based on their ability to do their job, which should be and is the primary consideration in all of our hiring and promotion decisions.

If you are voting in person, please mark your ballots with respect to this shareholder proposal.

(Voting)

Kenneth C. Frazier - Merck & Co., Inc. - Chairman, CEO and President

The next item of business is a shareholder proposal from Heartland Initiative, Inc. requesting a report on conducting business in conflict-affected areas. Is an authorized representative of Heartland Initiative, Inc. here to introduce this proposal?

Good morning.

Unidentified Participant

Good morning to you. I'm here on behalf of Heartland Initiative, which works to have international law and ethical practices implemented in territories that are currently under belligerent military occupation. This is a report on conducting business in conflict-affected areas. I should have printed this out. It is because of Heartland's pride and confidence in Merck's CSR policies and practices that we are asking Merck to lead the way once more. We ask Merck to lead the way by moving beyond its resolution on the Democratic Republic of Congo and to create a report that looks



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at the ways in which advanced due diligence can help set standards for areas that are under belligerent military occupation and be used as a benchmark for other companies that follow Merck's lead. In accordance with its global Human Rights Policy and Code of Business Conduct purpose, we propose and request that Merck assess and report to shareholders on the company's approach to mitigating the heightened ethical and business risks associated with procurement, investment and other business activities in conflict-affected areas. We ask that Merck examine its policies for areas already addressed through its conflict minerals policy. This includes situations of belligerent occupation. In particular, we propose that the report should assess whether additional policies are needed to supplement Merck's Human Rights Policy and Code of Business Conduct to avoid directly or indirectly aiding or acquiescing violations of international humanitarian law committed by occupying forces. In territories under belligerent military control, common ethical issues include: forcibly transferring or uprooting people from their homes, allowing citizens of the occupying country to live in the occupied territory to benefit the citizens of the occupying territory at the expense of the occupied people, destroying and appropriating property in an occupied territory in cases that are not justified by military necessity and which are carried out wantonly and in violation of international law and extraction of minerals or other nonrenewable resources to benefit the occupying power at the expense of the occupied people. As shareholders, we believe in an increasingly unstable world, it would be prudent for Merck to ensure that any business it conducts in other conflict-affected areas, including situations of belligerent occupation where a state invades and imposes military control over a foreign territory and its population, also meets Merck's high standard of respect for human rights and international humanitarian law. Heartland Initiative believes that, given Merck's leadership around developing conflict diamond policies in the Democratic Republic of Congo, there are policies in place that can be applied to other conflict-affected areas. In other words, an expanded version of the Congo policy. Such a policy would ensure that the company is not complicit in violations of human rights. Thank you.

Kenneth C. Frazier - Merck & Co., Inc. - Chairman, CEO and President

Thank you. The board's statement in opposition to this proposal was published in the company's proxy statement for this Annual Meeting. Are there any questions on this proposal?

If you are voting in person, please mark your ballots with respect to this shareholder proposal. I'm sorry. Did I miss a question? I'm sorry. I apologize.

Rabbi Joshua Ratner

Thank you, and good morning. My name is Rabbi Josh Ratner, J-O-S-H R-A-T-N-E-R, and I'm the Director of Advocacy at JLens, a Jewish values-based investor network that owns thousands of shares of Merck. We applaud Merck for its pharmaceutical applications, vaccine research and access to medicine programs that offer affordable drug pricing to developing nations, and we encourage Merck to continue working on product safety and corporate governance oversight. We urge our fellow shareholders to vote against Proposals 6 and 7. While deceptively written in the important language of responsible business, both proposals are part of an economic warfare campaign designed not to address the issues they raise but to increase the cost and controversy for companies like Merck that have successful business ties to Israel. Proposal 6 by the Holy Land Principles claims to represent anti-discrimination but, in fact, supports a discriminatory campaign waged against the Jewish side of the Israeli-Palestinian conflict. Ironically, Israel already has the most comprehensive, robust set of equal opportunity and nondiscrimination employment laws in the entire Middle East. Proposal 7 by the Heartland Initiative is another politically motivated campaign. Heartland brought a resolution last year focused solely on Israel that received very little support. Today, it brings another proposal hoping to achieve similar aims but disguising its intentions by using the language of "conflict-affected areas." It is led by a former employee of CIBIL, an organization whose founder denies the Jewish people's connection to Israel and has called for a Third Intifada of violence against Israelis, according to the anti-defamation leak. We support responsible business practices in every region of the world, but we caution shareholders and our company's leadership to be leery of misleading politically charged resolutions and to vote against Proposals 6 and 7. Thank you.

Kenneth C. Frazier - Merck & Co., Inc. - Chairman, CEO and President

Thank you. Again, if you're voting in person, please mark your ballots with respect to this shareholder proposal.

(Voting)



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Kenneth C. Frazier - Merck & Co., Inc. - Chairman, CEO and President

The last item of business is a shareholder proposal from Trillium Asset Management LLC requesting a report on board oversight of product safety and quality. Are you signaling there was another person? Okay.

Unidentified Company Representative

Sorry.

Kenneth C. Frazier - Merck & Co., Inc. - Chairman, CEO and President

Next year, we're going to develop a move where people have to do like this. Because this, I don't see.

Joel Summer

My name is Joel Summer, S-U-M-M-E-R, and we spoke -- I know it's too late to talk about this now, Proposal 8.

Kenneth C. Frazier - Merck & Co., Inc. - Chairman, CEO and President

We're about to do Proposal 8 now.

Joel Summer

Okay. So I should wait? Or...

Kenneth C. Frazier - Merck & Co., Inc. - Chairman, CEO and President

Yes, let the proposal be described, and then we'll have some comments.

Okay. The last item, as I said, is a shareholder proposal from Trillium Asset Management LLC requesting a report on board oversight of product safety and quality. Thank you. Is an authorized representative of Trillium Asset Management LLC here to introduce this proposal? And I see her standing there. Good morning.

Cathy Rowan

Good morning, Mr. Chair, members of the board, fellow shareholders. My name is Cathy Rowan, C-A-T-H-Y R-O-W-A-N, and I'm here on behalf of Trillium Asset Management and its clients to move Proposal 8, seeking a report evaluating the merits of Merck strengthening board expertise in product quality and safety. Given the high risks for Merck with respect to manufacturing product quality and safety, it is common sense for the board to evaluate and report out on whether they have the right governance in place to oversee these significant and material risks, specifically, whether the board is developing and selecting the skills, expertise and experience it needs to correctly evaluate and oversee manufacturing product safety and quality. Unfortunately, experience in product quality safety or pharmaceutical manufacturing is not identified for any of the company's board members. There's no debate over whether manufacturing product quality and safety is a particularly high risk issue for our company. There's no debate over whether product quality and safety is of the utmost importance to our board and is part of its responsibilities to oversee. The question that is raised is whether the board should take a reasonable amount of time to evaluate the merits of strengthening board expertise in manufacturing product quality and safety. Can the board effectively oversee operational and executive personnel if they do not themselves have



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individuals on the board with expertise in product manufacturing quality and safety? Would our board ask better questions of management and/or external experts and consultants having board members with expertise? Will they be better able to guide and advise the company on product quality and safety with expertise on the board? Would the board's Compensation and Benefits Committee be better prepared to ensure better alignment of CEO and NEO incentive compensation with the company's important and relevant manufacturing product quality and safety metrics? We respectfully believe the answer is yes. How could that not be the case? In today's high-risk environment, there -- this is an area where we believe the board should make sure it's going above and beyond to demonstrate its command of manufacturing product quality and safety oversight, and we encourage you to support this proposal. Thanks very much.

Kenneth C. Frazier - Merck & Co., Inc. - Chairman, CEO and President

Thank you. Now is there a question or comment about Proposal 8?

Joel Summer

Again, my name is Joel Summer, S-U-M-M-E-R, and I heard these comments from the preceding speaker. I'm proud to say that I've been a stockholder for 37 years, and those have been 37 wonderful years. And I believe in Merck, and I never, ever took monetary consideration. I always reinvest it back in Merck. So I'm very proud to be a stockholder in Merck. I know being in the pharma industry, there's always the inherent risk. With the best scientific work being done, things can happen years and years down the road. So I understand what this woman is talking about in risk. Everybody with the company wants to see it succeed. And if you're a professional in the health sciences, you take great pride in that achievement, and you work years and years in laboratories to see that. So I don't see any reason for this. And on the other side of the ledger, I would like to know what it would cost in dollars and cents to have this increased layer, which I just see as looking down but not necessarily contributing any scientific resource. And that's what the strength of Merck is, its academic genius being put into a business. But I'm skeptical about this, and again, I'd like to know in dollars and cents what it would cost the stockholders to put in such an overlayer, because I haven't heard it discussed. Thank you.

Kenneth C. Frazier - Merck & Co., Inc. - Chairman, CEO and President

Thank you for your comments. Are there any other questions or comments?

I would simply say that the safety and quality of our medicines and vaccines and other products are primary considerations for us here at Merck. We seek to have in place extensive, therefore, quality, in safety systems and controls to help us continue our consistent track record of ensuring safety, quality and compliance. The board believes that it has the right membership and diversity of experience and expertise to provide effective oversight of management. Indeed, this morning, we had this conversation -- this very conversation at the Audit Committee. The board further believes that the production of a potentially costly report, to your point, and we haven't quantified it exactly, is not necessary or in the best interests of our company shareholders. Accordingly, the board's statement in opposition to this proposal, as published in the company's proxy statement, and we recommend a vote against this proposal.

If you're voting in person, please mark your ballots with respect to this shareholder proposal.

(Voting)

Kenneth C. Frazier - Merck & Co., Inc. - Chairman, CEO and President

Okay. Since this completes the voting, the inspectors may now collect the ballots and legal proxies and tabulate the votes. I declare the polls officially closed.

So now I will be pleased to answer any general questions you may have this morning. Please raise your hand and wait to be recognized. Great job, [Alan].



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QUESTIONS AND ANSWERS

Unidentified Participant

Thank you so much. Good morning, Chairman Frazier. I apologize. I just got in this morning from the West Coast. I take care of a 92-year-old uncle who is a World War II veteran with Alzheimer's. So I just want to thank you for the breakthrough that you and your colleagues in the work you're doing at Merck, but I also want to thank you for your kindness and hospitality. I attend many shareholders meetings, and I'm just going around the country and just challenging executives and companies to really go in the area of Alzheimer's because it's great what KEYTRUDA does, it's great what we're able to do in hepatitis C in curing people. But if we don't get this thing under control by 2025, Medicare is going to be bankrupt. And I just don't want us to be financially (inaudible). I mean, I've been in it for over a decade. So I'm just praying that you guys will have the courage and the fortitude to go that extra mile. But my question is with the 21st Century Cures Act, is the right incentive now in place to help big pharma and biotech go that extra -- because obviously, risk is always a major factor. I come from big pharma. I was with Schering-Plough for many years, and I sold my stock off. So I know the risk factors. But does that give you...

Kenneth C. Frazier - Merck & Co., Inc. - Chairman, CEO and President

You should've kept your stock.

Unidentified Participant

I know. Absolutely, I do. As a matter of fact, this stock is actually for the Rosa and Raymond...

Kenneth C. Frazier - Merck & Co., Inc. - Chairman, CEO and President

I was with you up until then.

Unidentified Participant

You were with me on it? Okay. But this stock is going to do well for the Rosa and Raymond Parks Institute that I worked out of Detroit with for the last 5.5 years. But I just thank you guys for the great job you do. I just thank you for the research you're doing. But just go that extra mile. I pray that you guys make the break that we need as a society. It's hurting people. So people are hurting. And I see that the Veterans Administrations, Alzheimers.org, associations I'm affiliated with, we've got to get there. So I pray that you guys go that extra mile and just take the risk because it's worth it, and it will reward your shareholders in the long run. God bless you all.

Kenneth C. Frazier - Merck & Co., Inc. - Chairman, CEO and President

Thank you very much for your questions and comments. I can assure you that we are completely dedicated to Alzheimer's. As you probably know, we recently announced that the first of 2 very large studies of our base inhibitor for Alzheimer's we did, our outside monitoring group has asked us to stop that study largely because they don't believe that there will be efficacy here. We haven't seen the data. We're looking forward to seeing that data and understanding more about that. But more importantly, we have a second study ongoing, another large study, with patients who have an earlier form of the disease. Actually, sort of prodromal or pre-Alzheimer's. But you should know that we think we have a very good base inhibitor in testing. We also join you in your fervent hopes and prayers that, that will work. It is a big issue for our society. It is a horrible disease not only for those who suffer it, but people like you who are caregivers. And you should know that Merck exists to take on the most challenging medical conditions. And as I said in my speech, one of those that we're very focused on is Alzheimer's. So thank you. Next question, in the back?



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Andrea Meyers

Good morning. My name is Andrea Meyers. A-N-D-R-E-A M-E-Y-E-R-S. My question is simple. I would like to know, how is it decided -- besides cost, how is it decided which of Merck's products are receiving consumer advertising support such as KEYTRUDA now does?

Kenneth C. Frazier - Merck & Co., Inc. - Chairman, CEO and President

Well, we have our Head of Global Human Health, Adam Schechter here, who makes those decisions. But I would say, before Adam gets to the microphone, that the main thing we do is we look at how important this new invention is, and we ask ourselves whether there is a need to broadly diffuse information and educate people about a new mechanism or a new approach to disease, like we do for KEYTRUDA. So let me turn it over to Adam.

Adam H. Schechter - Merck & Co., Inc. - EVP and President of Global Human Health

Yes. And what we try to do is encourage patients to talk to their physicians. So if there's a learning opportunity to help patients learn more so they can have better discussions with their physicians, that's when we'll typically engage in direct-to-consumer advertising. We want to make sure that the physician remains the decision-maker. We just want to make sure that patients are aware that there's new therapies available that they should discuss with those learned intermediaries.

Kenneth C. Frazier - Merck & Co., Inc. - Chairman, CEO and President

Thank you, Adam. Next question?

Tom McCaney

Good morning, Mr. Chairman. My name is Tom McCaney, M-C-C-A-N-E-Y, representing the Sisters of St. Francis of Philadelphia and the Interfaith Center on Corporate Responsibility. Thank you for your report. Very encouraging results, I noticed, regarding revenues, both net and gross, and also stock prices. But I also noted that you mentioned that present tax codes are hurting the company. Now since increasing pharmaceutical prices is a major concern in our country, obvious to everyone, will the new corporate tax rate, if passed, be reflected in the pricing of drugs going forward?

Kenneth C. Frazier - Merck & Co., Inc. - Chairman, CEO and President

Thank you for your question. So let me start by saying that we try to price every drug that comes to market by looking at a number of factors, including how important an intervention it is. We talk about the affordability and accessibility of the drug to patients. We talk about the need to reinvest our money in R&D. We talk about the overall ability of the health care systems to pay for these drugs versus other drugs in the health care system. So we try our best, when we bring products to market, to price them consistent with the value. As it relates to what the world would look like if we ever had comprehensive international tax reform, I think that what I can say for sure is that if we had international tax reform, it would allow us to compete more effectively with the ex U.S. companies that also sell their products in the United States. So I think it would allow us to compete in every way with those companies. Right now, we're at a disadvantage, particularly when it comes to accessing the next generation of important IP, which we need in order to continue to run our business. So thank you for your question.

And I'll get to you next.

Gilbert Lachow

Good morning. My name is Gilbert Lachow, L-A-C-H-O-W. If I may, I have 2 questions. The first one, is Merck looking at any trials with KEYTRUDA in pancreatic cancer, which has such a high mortality? Are we?



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Kenneth C. Frazier - Merck & Co., Inc. - Chairman, CEO and President

Roger?

Roger M. Perlmutter - Merck Research Laboratories - President

Yes. So we have looked in pancreatic cancer, of course. It was one of those places where we were most eager to see response. And unfortunately, in pancreatic cancer, we did not see meaningful responses. However, there are certain circumstances where there is a response, and one of those is the situation that I mentioned, which is where the tumor has mutations that affect its ability to repair its own DNA. Under those circumstances, we have seen pancreatic cancer responses. It represents a small percentage, perhaps 5% or 10%, of individuals with pancreatic cancer. But it gives us a lead on how we might be able to make pancreatic cancer more susceptible to the kind of immune attack that KEYTRUDA engenders. So our hope is that we're going to be able to use that information to be able to drive better therapies for pancreatic cancer, which remains a high priority for us.

Kenneth C. Frazier - Merck & Co., Inc. - Chairman, CEO and President

Thank you.

Gilbert Lachow

My second question, if I may. I was very happy to see on the screen that Merck looks at improved access to care to more than 6 million women, which is very gratifying. However, in a May 5 article in the Star-Ledger, there was a comment by Senator Menendez who stated that "Corporate insiders should not be able to use investor money as a piggy bank to advance their personal political agendas without any oversight from shareholders." It seems that 2 New Jersey companies, Johnson & Johnson and Merck, and their trade association spent more than \$4 million from 2011 to 2016 to help elect Republican governors and legislators, trying to restrict funding for birth control." I mean, if we're trying to help women on one end, why go against them on another end? And I'd like a comment on that, please.

Kenneth C. Frazier - Merck & Co., Inc. - Chairman, CEO and President

Okay. So let me start by saying that Merck's support for candidates at the federal and state level is bipartisan. And our general lens for deciding which candidates we support are those candidates that generally support the innovation-based pharmaceutical industry. The difficulty in that comment, and I don't know exactly which candidates are being referred to by Senator Menendez, is that if you support those people who are supportive of innovation and R&D, from time to time, because the nature of our fractious political system, people may have statements out there about family planning. I know there's a whole issue around Planned Parenthood in this country. But we do not have any single litmus test for our support other than, holistically, is this a candidate who supports the kind of public policies, as I said in my earlier remarks, that will allow companies like Merck to continue to invest capital in the next generation of breakthroughs? So thank you for your comments. And we are bipartisan. There's a question over here.

William Sidun

Yes. Good morning. William Sidun, S-I-D-U-N. And I have to applaud you that, being a retired employee, I still believe that Merck is a research-based-oriented company, and it's good to see you're still there. My question is, within the last 10 years, it appears that Merck is leaving the API, and I'm curious why. I built a lot of API facilities for Merck, and Merck doesn't own any more API. Maybe Singapore, but that's about it. So what was the decision? And may we return to API manufacturing?



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Kenneth C. Frazier - Merck & Co., Inc. - Chairman, CEO and President

So I'm going to ask Sanat to answer this question. But I would say, generally, in constructing our supply chain, a number of factors are put into place. And it is true that many of the facilities that produce our API are in India, for example, or China, but we have to, again, try to be cost competitive in a world where there's tremendous pricing pressure. And we try to think about those things that we can do better than outsiders and those things that, frankly, we ought to be thinking about having partnerships and collaborations. Sanat?

Sanat Chattopadhyay - Merck & Co., Inc. - EVP and President of Merck Manufacturing Division

Thank you for the question. As Ken said, speed to market and cost considerations are very important regardless of whether it's small molecules or large molecules or vaccines. But we do have a lot of API that we make ourselves. But because of speed and cost considerations, we do make sure that regardless of the site being internal or external, we access that site. And as you know, because of regulatory reasons, sometimes it's very difficult to change sites once you go external. So therefore, our focus will always be on building sufficiency internally, but we will not hesitate to go external regardless of what the technology platform is.

Kenneth C. Frazier - Merck & Co., Inc. - Chairman, CEO and President

Thank you, Sanat. I think we have time for maybe one more question.

Jeannette Brown

Okay. Jeannette Brown, former research chemist. Jeanette, J-E-A-N-N-E-T-T-E. I won't spell Brown. I'm a member of the National -- or North Jersey Chemical Society. And Merck has won 3 National Chemical Historic Sites awards, and the latest one was for Mectizan. We had a private meeting at Merck last December, and all the chemists who were involved were there. We are planning a public meeting, and which we want all of you to attend, either in person or by -- on the video. We -- yesterday, I saw some young students who were interested in science. This time, we're going to try to get the students involved. And I'm so glad you're talking about invention, because this meeting is to tell people that Mectizan was invented by chemists, and it's helping people all over the world. And then there are other drugs that the company is making. So we're inviting you all to come to this meeting. You can look at -- find out when it's going to be by looking at our website, northjerseyacs.com (sic) [www.njacs.org]. And thank you.

Kenneth C. Frazier - Merck & Co., Inc. - Chairman, CEO and President

Thank you. I'm sorry that we don't have more time to answer questions, but it's time for us to proceed with the rest of the meeting. So thank you for your questions.

The final report of the inspectors of election will not be available today. We do, however, have a preliminary report, which I now ask Ms. Klug to present.

Amy Klug

The inspectors of election have presented their preliminary report. They have determined that each of the 13 directors nominated by the board has been elected by a majority of the votes cast, and the Audit Committee's request for ratification of PricewaterhouseCoopers LLP as the independent registered public accounting firm has been approved.

Shareholders approved, by a non-binding advisory vote, the 2016 compensation of our named executive officers. The proposal received an affirmative vote of 95% of the total votes cast.



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Shareholders voted in favor of annual future non-binding advisory votes to approve the compensation of our named executive officers.

The inspectors have determined that the shareholder proposal requesting an independent board chairman has received an affirmative vote of 46% of the total votes cast.

The shareholder proposal requesting implementation of the Holy Land Principles has received an affirmative vote of 2% of the total votes cast.

The shareholder proposal requesting a report on conducting business in conflict-affected areas received an affirmative vote of 23% of the total votes cast.

And finally, the shareholder proposal requesting a report on board oversight of product safety and quality received an affirmative vote of 7% of the total votes cast.

A majority of the votes cast was required for each of the proposals to be approved. The final results will be available Friday on the company's toll-free telephone number, 1 (800) 225-5675 and also on the company's website, www.merck.com, under the Investors web page, along with an archived webcast of this meeting. We also intend to disclose the final voting results on Form 8-K within 4 business days of the meeting.

Kenneth C. Frazier - Merck & Co., Inc. - Chairman, CEO and President

The business of this meeting has now been completed.

The final matter before you is to conclude the meeting officially. All those in favor, say yes, and those opposed, say no. So all in favor?

(Voting)

All opposed?

(Voting)

Kenneth C. Frazier - Merck & Co., Inc. - Chairman, CEO and President

I declare this meeting concluded. Thank you for your attention and your interest, and I look forward to seeing you next year.

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