Operator

Good morning, and welcome to the 2023 Annual Meeting of Shareholders of Merck & Co., Inc. We do not expect any technical difficulties today. However, in the event that we lose audio or webcast connection, and we are unable to provide any updates, please wait 10 minutes for resolution. Please refer to the company’s website for updates.

At this time, I would like to introduce Merck’s Chairman and Chief Executive Officer, Robert M. Davis.

Robert M. Davis - Merck & Co., Inc. - Chairman, CEO & President

Thank you, and good morning to everyone joining today’s call. I trust you’re all doing well. It’s my pleasure to welcome you to the 2023 Annual Meeting of Shareholders and to call this meeting to order. The format of our meeting is virtual, which enables us to provide a consistent and convenient experience for all shareholders, and I look forward to our discussion.

I’d like to welcome our independent directors to today’s meeting and acknowledge that all of our directors nominated for election at this meeting are in attendance. Our Board is made up of a diverse set of talented and experienced leaders, who bring the expertise and skills necessary to oversee the execution of Merck’s strategy. I would also like to take a moment to recognize the retirement of Ken Frazier. This past year marked the conclusion of a leadership transition as Ken retired from Merck after a distinguished 30-year career. Throughout his career, Ken led with principle and not only set but exceeded a high bar of leadership excellence. He embodies Merck’s core values and, even beyond Merck, made immense contributions to global health. On behalf of our Board and our colleagues across the company, I want to thank Ken and wish him and his family the best in his next chapter.

Prior to the business portion of the meeting, I’ll provide an update on the company over the past year. And Dr. Dean Li, Executive Vice President and President of Merck Research Laboratories, will speak more about our efforts to accelerate and advance our broad pipeline of innovative science. He will also discuss certain areas where we are making important investments in research and development, to address some of the most critical patient needs and ensure sustainable growth for the long term.
We are also joined by the rest of Merck's executive team, including Jennifer Zachary, Merck's Executive Vice President and General Counsel. Our Corporate Secretary, Kelly Grez, is also present and has informed me that we have a quorum. Also attending this meeting are Gerry Flynn and Stephanie Manuel, representing PricewaterhouseCoopers LLP, the independent registered public accounting firm for Merck for 2023, subject to today's shareholder ratification.

Today's agenda as well as the rules of conduct are available in the Materials section of the virtual meeting website. Also available are Merck's 2023 proxy statement and the 2022 annual report on Form 10-K. And lastly, pursuant to New Jersey Law, A list of all shareholders of record entitled to vote at this meeting is available for shareholders to view.

Now a little bit about the company. For more than 130 years, Merck has been guided by one clear and compelling purpose, putting patients first and using the power of leading-edge science to save and improve lives. Our progress over the last year demonstrates that our science-led strategy is working, and I couldn't be more proud of what our team has delivered scientifically, commercially and operationally. We're focusing on what matters, and we're keeping the patient at the center of everything we do.

Our ability to deliver on our scientific legacy and in turn, create long-term value for our shareholders, is reflected in our clinical and operational achievements. We made meaningful progress in 2022 in advancing our pipeline, complemented by a portfolio of strategic acquisitions, collaborations and partnerships. We took steps to advance global health and catalyze greater equity across the health care landscape.

We delivered strong underlying performance. We were pleased to achieve excellent top line growth of 22% for the year, led by our key pillars of growth of oncology, vaccines, hospital and specialty care as well as our Animal Health business. We reached $59.3 billion in sales and achieved non-GAAP EPS of $7.48. We moved with speed and agility, and we provided increased transparency into several of our long-term opportunities, including GARDASIL; as well as our cardiovascular and oncology pipelines.

The growth we experienced in 2022 reflects the sustained track record of fundamental strength from our derisked key growth pillars. And we entered 2023 with momentum and confidence in our ability to maintain strong underlying growth, and we are pleased that our momentum has continued into the first quarter of 2023. We're proud that LAGEVRIO contributed to the fight against the pandemic and to our revenue in 2022. But as expected, we are seeing a revenue decline in 2023, given this stage of the pandemic where COVID-19 cases have significantly declined.

Across our cardiovascular oncology, vaccines and animal health programs, we have made strong advancements with compelling results in several key studies and trials. As we look to the remainder of 2023, our priorities will remain consistent. In cardiovascular, we've made significant progress across our pipeline in part thanks to our acquisition of Acceleron that brought us sotatercept. And we believe our broad differentiated portfolio has the potential to make a significant impact on patients' lives.

The compelling data from the Phase III STELLAR trial for sotatercept reinforces our confidence in this important new mechanism. We also presented impressive data from our Phase II study, evaluating our investigational oral PCSK9 inhibitor, MK-0616, for patients in need of LDL-cholesterol reduction and plan to start our Phase III program in the second half of this year. The progress we are making across our cardiovascular pipeline has created excitement throughout our company, and Dean will provide more on this in just a moment.

In oncology, we have continued our expansive research efforts and have demonstrated notable progress in earlier stages of disease, where there's a higher potential for favorable long-term patient outcomes. Building on the strength of KEYTRUDA, we are broadening our reach in oncology by expanding into new tumor types, moving into earlier stages of disease and helping even more patients through combinations and co-formulations. As a leader in oncology, we are excited by the potential of the pipeline of more than 20 mechanisms, including our collaboration with Moderna, for the combination of KEYTRUDA with an individualized neoantigen therapy.

In vaccines, we're reaching millions of people around the world with a robust portfolio. We expect supply and revenue of GARDASIL and GARDASIL 9 to grow, to meet the increasing demand, driven by raising worldwide awareness of these products as anticancer vaccines for certain HPV-related cancers. In addition, we're excited about the promise of our investigational vaccines for pneumococcal, RSV and dengue.
Our Animal Health portfolio remained a leader in 2022 with consistent above-market growth, driven by higher demand in livestock from our ruminant poultry and swine products. We look forward to building our biopharmaceutical and technology offerings and driving growth, innovation and strong performance in animal health well into the future.

I’m energized by our momentum, our impact on patients around the world and the value we’re creating for our stakeholders, which in turn provides value for you, our shareholders. As we aim to sustain momentum across our pipeline, we are engaging in strategic business development targeted at the most compelling and complementary external science. Over the past 5 years, Merck has deployed $36.5 billion to business development. In 2022 alone, we brought in 4 programs that will have Phase III trial starts in 2023 and have the opportunity to contribute sustainable growth during the later period of this decade and, importantly, well into the next.

Most recently, we announced our proposed acquisition of Prometheus Biosciences. This acquisition will accelerate our presence in immunology, where there remains substantial unmet patient need. Dean will share more on this shortly. We continue to execute our disciplined approach to business development and will act when compelling science and value align. We have more to do, but I’m confident about our progress and believe our efforts will lead to impactful and lasting benefits for patients.

We're also taking strategic steps to integrate important sustainability goals into the core of Merck’s culture and business. Our Compensation and Management Development Committee has approved a new measure in our 2023 company scorecard for certain goals that reflect key sustainability priorities for our company. This includes enabling access to our innovative portfolio for patients around the world and the engagement and inclusion of our employees.

In addition, we’re cultivating a diverse and inclusive workforce, implementing critical strategies and fostering our employee business resource groups, which represent the various dimensions of diversity that span our company. These groups enhance employee engagement, enable career growth and development and help ensure we achieve our business objectives.

In the past year, we’ve also made strong progress to our climate goals and further develop the tools and processes required to reduce our company’s carbon footprint. We were recognized as one of Barron’s Top 100 Most Sustainable Companies for the third straight year in a row and ranked #1 in the pharmaceutical industry. We operate responsibly every day on behalf of society, shareholders and all of our stakeholders to enable a safe, sustainable and healthy future for people and communities everywhere.

Our company’s success in 2022 was driven by our understanding that the work we do every day has a truly profound impact on global health. Throughout the year, we focused on building our legacy of putting patients first, concentrating on how we can address unmet medical needs and prevent and treat devastating diseases. We will continue to invest in our innovative pipeline to deliver life-saving and life-changing solutions to patients worldwide as well as a robust value return for our shareholders. I’m inspired every day by the collective efforts and the dedication of our colleagues around the world, the passion they bring to Merck and our ongoing commitment to deliver value for patients and all stakeholders now and well into the future.

I’ll now hand the floor to Dr. Dean Li to talk more about our efforts in Merck’s Research Laboratories. Dean?

Dean Y. Li - Merck & Co., Inc. - Executive VP & President of Merck Research Laboratories

It’s a pleasure to be here once again for the Annual Meeting of Shareholders. At Merck, we continue to maintain our focus on translating breakthrough science into medicines and vaccines that save and improve lives. This is centered around unmet patient needs and anchored on innovation with emphasis on novel mechanisms that we believe have potential to transform standard of care. Throughout 2022 and into 2023, our focus has been on fortifying our leadership in oncology while augmenting and diversifying our pipeline to establish a sustainable portfolio for the future. We have made important strategic investments and advanced our broad pipeline.

In oncology, we have achieved important progress in the treatment of patients with earlier-stage disease. And in vaccines, for example, we are advancing our tailored approach for developing pneumococcal vaccines to meet the specific needs of different populations. Today, I will focus my
remains in the areas of cardiovascular disease and immunology where we have identified opportunities that hold potential to address critical patient needs.

First, I will speak about pulmonary arterial hypertension. Pulmonary arterial hypertension, or PAH, is a rapidly progressive and fatal disease that often affects women in the prime of their lives. Critically, the 5-year mortality rate for patients is approximately 43%. And in the U.S. alone, there are roughly 40,000 patients affected. The STELLAR trial. The STELLAR trial evaluating sotatercept for the treatment of pulmonary arterial hypertension, demonstrated that patients receiving sotatercept in combination with stable background therapy showed a substantial improvement in 6-minute walk distance at 24 weeks versus a placebo-controlled arm. Further, the trial met 8 out of the 9 secondary measures, including a meaningful reduction in time to clinical worsening or death. The results from the STELLAR trial provide compelling evidence indicating that sotatercept has the potential to profoundly change the treatment for PAH.

It is the first in a new class of therapies that target a novel mechanism critical to the underlying pathophysiology of the disease. We are working to submit the results to regulatory agencies while also advancing additional studies designed to expand our understanding of how sotatercept may help patients with a broader range of pulmonary hypertension conditions.

In addition to sotatercept, we are evaluating MK-5475, an inhaled soluble guanylate cyclase stimulator for the treatment of PAH. MK-5475 has the potential to be a first-in-class pulmonary selective vasodilator. Inhaled administration has the potential to deliver the target doses of inhaled vasodilator directly to the pulmonary blood vessels that need to be dilated in order to provide symptomatic relief for patients.

According to the World Health Organization, cardiovascular disease is the leading cause of death worldwide. The majority of these deaths are due to atherosclerotic events such as heart attack and stroke. Elevated levels of low-density lipoprotein cholesterol, or LDL-cholesterol, can lead to a high risk of atherosclerotic cardiovascular disease events. Despite widely available medicines, it is estimated that less than 30% of patients with atherosclerotic cardiovascular disease achieve the recommended LDL-cholesterol target, indicating a significant opportunity to decrease levels further and potentially improve outcomes for patients.

PCSK9 inhibitors, a relatively new class of LDL-cholesterol-lowering medicines, have demonstrated the ability to effectively reduce LDL-cholesterol levels. Unfortunately, currently available options are limited to administration via injection. Using a novel macrocyclic peptide platform, our discovery scientists were able to design MK-0616, an investigational orally available PCSK9 inhibitor, which, in preclinical studies, has demonstrated antibody-like potency and selectivity. Now the ultimate goal for this program is to develop a highly effective LDL-cholesterol-lowering pill, which can provide an accessible option for patients and enable substantially more people to reach their treatment goals globally.

Phase IIb clinical trial results for MK-0616 were presented at the American College of Cardiology meeting. The study met its primary endpoint, showing a significant reduction of LDL-cholesterol levels for patients taking MK-0616 versus placebo across all 4 doses. Importantly, up to 90% of those receiving the highest dose were able to achieve their LDL-cholesterol goal. MK-0616 is potentially the first once-daily oral PCSK9 inhibitor. We are proceeding with speed and rigor to advance a robust Phase III clinical program.

I am pleased to note that we are making good progress towards our goal of developing several medicines that improve and extend the lives of patients with cardiovascular diseases, including heart failure, thrombosis, atherosclerosis and pulmonary arterial hypertension. I look forward to providing updates in the future.

Now I will move on to immunology. Throughout the development of KEYTRUDA and our overall contributions to the field of immuno-oncology, we have built strong capabilities and established deep expertise. As we move forward, we are leveraging this knowledge and experience to generate critical insights into the immune system, which we are applying across our research organization.

Approximately 2 years ago, we established a separate discovery immunology therapeutic area in Cambridge, Massachusetts. And with this commitment, we have diligently recruited key scientific talent with deep immunology expertise across our discovery and clinical teams. Last month, we announced the planned acquisition of Prometheus Biosciences, a clinical stage biotechnology company pioneering a precision medicine approach for novel therapeutic and diagnostic products for the treatment of immune-mediated inflammatory diseases. Now Prometheus has a strong scientific pedigree that has yield a therapeutic candidate with compelling evidence of benefit in both ulcerative colitis and Crohn's disease.
PRA-023 is a potential first-in-class late-stage clinical candidate that we believe provides the opportunity to transform the standard of care in a disease area where current therapies are often inadequate and high unmet need remains. We are proud of the capabilities and expertise we have built in immunology and look forward to complementing and accelerating our efforts through the planned acquisition of Prometheus.

With the addition of Prometheus pipeline, Merck will build on a diverse and growing immunology clinical development program with the potential to make a substantial impact in this area of high unmet medical needs. This includes MK-6194, which we secured through our acquisition of Pandion Therapeutics, and we plan to initiate Phase II studies later this year.

Now beyond the clinical stage pipeline, we have multiple candidates in preclinical development across our combined pipeline, which we expect to enter the clinic in the coming years. To summarize, we continue to deliver on our strategy and achieve progress towards our goal of creating innovative medicines that will improve the outcome for patients across multiple therapeutic areas. I look forward to providing further pipeline updates in the future.

And now I will hand the floor back to Rob.

Robert M. Davis - Merck & Co., Inc. - Chairman, CEO & President

Thank you, Dean. And now continuing with the business portion of the meeting, I’ll ask Kelly Grez as the Secretary of the meeting to report on our quorum and other matters. Ms. Grez?

Kelly E. W. Grez - Merck & Co., Inc. - Corporate Secretary

Mr. Chairman, proxies have been received totaling 2,173,307,000 votes or 85.64% 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 3, 2023, to all shareholders of record as of March 24, 2023.

Robert M. Davis - Merck & Co., Inc. - Chairman, CEO & President

Thank you, Kelly. In accordance with the resolution of the Board dated March 28, 2023, Michael J. Barbera and Jason P. Graham, representatives of First Coastal Results, Inc, were appointed as inspectors of election for this meeting and have executed the required oath of office. The proposals will be presented in the order as they are outlined in the 2023 proxy statement.

There are 4 management proposals and 6 shareholder proposals. I now declare the polls officially open. All Merck shareholders entitled to vote at this meeting have the ability to do so online. Please remember that if you’ve already voted by proxy, it’s not necessary to vote again. If you are a shareholder entitled to vote and have not yet voted, or if you want to change your previously cast vote, you may do so via the website used to access this meeting. After all proposals on the agenda have been presented, we will close the polls and share the preliminary report of the inspector of election. We will also begin our question-and-answer period at that time.

The first item of business is the election of directors. The Board’s nominees for terms expiring in 2024 are Mr. Robert M. Davis, Chairman, Chief Executive Officer and President of Merck; Mr. Douglas M. Baker Jr.; Ms. Mary Ellen Coe; Ms. Pamela J. Craig; Mr. Thomas H. Glocer; Dr. Risa J. Lavizzo-Mourey; Dr. Stephen L. Mayo; Dr. Paul B. Rothman; Ms. Patricia F. Russo; Dr. Christine E. Seidman; Mr. Inge G. Thulin; Ms. Kathy J. Warden, and Mr. Peter C. Wendell. I’d note for the record that no nomination for director has been properly made in advance of this meeting by any shareholder of the company.

We now turn to a proposal to approve, by a nonbinding advisory vote, the compensation of our named executive officers. The Board of Directors recommends a vote for this proposal.
The next item of business is a proposal to approve, by a nonbinding advisory vote, the frequency of future votes to approve the compensation of our named executive officers. The Board of Directors recommends a vote of 1 year for this proposal.

The next item of business is a proposal to ratify the appointment of PricewaterhouseCoopers LLP as the independent registered public accounting firm for 2023 as set forth in the proxy statement. The Board of Directors recommends a vote for this proposal.

We now come to the shareholder proposals. Each shareholder will be given 3 minutes to present their proposal. Shareholders should restrict their comments to the proposal before the meeting.

The first shareholder proposal is from the National Legal and Policy Center and concerns business operations in China. If Paul Chesser or a representative of the proponent is on the line, I would now ask the operator to unmute their line to allow them to present this proposal.

Paul Chesser - National Legal and Policy Center

Good morning. Merck's disclosures about its business in China are better than most of the 8 other companies will be at presenting this proposal. But that said, the disclosures are still woefully inadequate and not nearly transparent enough. Merck states in its 10-K annual report that the company's business in China has grown rapidly in the past few years. Indeed, according to the company, the China region represented nearly 9% of its sales revenue in 2022. Merck says the importance of China to the company's overall business outside the U.S. has increased accordingly. The company says it also has substantial research and manufacturing in China.

According to an English translation of its China website, Merck reports $48.7 billion in annual sales and $12.2 billion in annual R&D expenditures. That is significant by any measure, yet the bare minimum risk disclosures related to business in China that Merck provides only address vague geopolitical tensions. That is not transparent enough nor detailed enough to sufficiently inform shareholders about the sizable risk of doing business in and with communist China.

When you operate in China, as Merck does and hopes to do more, you are in business with the communist government. Every business partner is tethered to the oppressive leadership, their malicious wins and their evil deeds. Here's a short list that further explains who Merck's communist business partner is: one, the U.S. State Department reports that China runs forced labor camps filled with political dissidents and religious minorities, primarily Muslim Uyghurs. Victims are trafficked to these camps and are also subject to torture, organ harvesting and extermination. Human rights organizations call it genocide.

Two, China has built its military to historic size and strength and plans to further modernize it with an eye towards an attack on Taiwan to "reunify the island nation with the Mainland." An action of this type would make the Russian invasion of Ukraine looked like child's play. How would Merck respond to such an action?

Three, of course, when it comes to medicine and research, the free world has almost universally concluded that the deadly COVID-19 virus emerged from a lab in Wuhan. What is the nature and extent of Merck's $12.7 billion annual R&D in China? And why shouldn't investors be concerned? If I had more time, I could also address things like intellectual property theft, espionage, freedom of movement, freedom of association, freedom of speech, zero COVID policies to -- and taking over foreign businesses, which would include American ones and so forth. I urge the Board to be more transparent about Merck's vulnerabilities in China and for my fellow shareholders to vote for proposal #5. Thank you.

Robert M. Davis - Merck & Co., Inc. - Chairman, CEO & President

Thank you, Mr. Chesser. The Board has carefully considered the submitted shareholder proposal and recommends a vote against it. Our company has existing disclosures in our 2022 10-K and other filings with the SEC. As a reporting company, we must inform our shareholders about our business operations, such as in China, to the extent they are material, and we also have significant disclosures detailing how our Board oversees risk. As such, the Board believes that the requested report would not provide additional value to our company shareholders. For more information
regarding the Board’s position on this proposal, please see the Board’s full statement in opposition, which is available on Page 91 of the company’s proxy statement. The Board of Directors recommends a vote against this proposal.

The second shareholder proposal is from Oxfam America, Inc. and concerns access to COVID-19 products. If Jennifer Reid or a representative for Oxfam is on the line, I would now ask the operator to unmuter their line to allow them to present this proposal.

Jennifer Reid - Oxfam America

Good morning. My name is Jennifer Reed. I’m the Senior Adviser for Health and Vaccine Equity with Oxfam America, and I’m pleased to speak on behalf of the resolution filed by Oxfam. Several pandemic declarations have come to an end, but preventable deaths and hospitalizations from COVID-19 have not. Treatment remains a critical tool to save lives. Merck’s COVID-19 treatment, molnupiravir or LAGEVRIO, is recommended by the World Health Organization to help protect people against severe illness and save lives in certain circumstances. But Merck has not done enough to ensure affordable access and transparency about its pricing strategy, despite the millions of dollars in public funds that contributed to molnupiravir’s development.

The company and shareholders have reached the benefits of this treatment with nearly $5.7 billion of sales last year, Merck’s third highest revenue products for 2022. But the public has not had the benefit of affordable access in many countries, nor have we benefited from sufficient information about the role of public investments play. Merck’s voluntary license was a step in the right direction, but it has left nearly half the world’s population, including millions of vulnerable people living in developing countries, without affordable access. Merck has not been transparent with the prices of charges in excluded countries. It has, however, reportedly charged the U.S. government over $700 per treatment [quarter]. That is 35x more than the estimated price for generic version even as U.S. taxpayers provided $35 million to help develop this treatment.

Merck’s pricing strategies are costing the company sales as countries like the U.K. rejects molnupiravir as not cost-effective. Governments are grappling with how to ensure a more equitable global response to pandemics moving forward. As policymakers and patients alike seek to understand how public funding can factor into those efforts, the public and investors need more transparency about Merck’s pricing strategy. Merck can live up to its stated commitment to transparency as part of the company’s ethics and value by providing more information regarding molnupiravir. We urge shareholders to support this proposal to provide clarity on how public financial support factors into Merck’s approach to ensuring access to its COVID-19 products. Thank you.

Robert M. Davis - Merck & Co., Inc. - Chairman, CEO & President

Thank you, Ms. Reed. The Board has carefully considered the submitted shareholder proposal and recommends a vote against it. In addition to the existing disclosure regarding the company’s global access strategy for LAGEVRIO, the company has also specifically disclosed that the funding Oxfam America sites in its proposal, as having been received by Emory University, was not a factor in the company’s global access strategy.

The company’s efforts regarding global access for LAGEVRIO have been recognized, including by ICCR members who submitted a similar proposal 2 years ago and haven’t since. As such, the Board believes adopting the shareholder proposal is not in the best interest of the company or the shareholders. Because preparing the requested report would be duplicative, not an effective use of Merck resources and would not provide shareholders with additional meaningful disclosure. For more information regarding the Board’s position on this proposal, please see the Board’s full statement and opposition, which is available on Pages 92 and 93 of the company’s 2023 proxy statement Again, the Board of Directors recommends a vote against this proposal.

The third shareholder proposal is from Boston Common Asset Management and concerns indirect political spending. If Amy Orr or a representative for Boston Common Asset Management is on the line, I would now ask the operator to unmuter their line to allow them to present this proposal.
Amy Orr - Boston Common Asset Management

Hello, I am Amy Orr, Director of Shareholder Engagement of Boston Common Asset Management. We seek your support for item #7 to improve transparency and accountability in corporate electoral spending, including the indirect political spending that is the subject of this proposal. Our rationale is threefold. First, misalignment or nontransparent funding creates reputational risk that can harm shareholder value. Our proposal clearly documents using data from the Center for Political Accountability, that third-party political contributions can cause reputational harm to companies if they are not aligned with the company’s stated mission.

America contributed $1.3 million in corporate funds to third-party groups dating back to the 2020 election cycle, and beneficiaries of this spending have been tied to a tax on voting rights, which we believe run counter to America’s stated values. In 2021, Merck contributed the highest amount among pharmaceutical companies and contributions to the Sedition Caucus or the 147 lawmakers voted against the 2020 election results. These contributions occurred after Merck stated that would cut off campaign funding to those members of Congress who voted against the 2020 election results. We believe that it is within the company’s best and shareholders’ best interest to mitigate these potential reputational risks with the disclosures requested.

Second, the disclosure requested is not overly burdensome contrary to Merck’s contingents. The proposal clearly states that the disclosure request only applies to organizations to operate primarily to engage in political activities, and disclosure is not necessary as the company chooses not to contribute to an organization. The organization’s indirect organizations and scope are trade associations, social welfare organizations and other organizations that organized primarily to engage in political activities.

And the third and final reason is that the SEC has determined it is within the company’s power to implement the proposal. If a political entity declines to provide the requested data, Merck could simply elect not to fund that entity. This seems like a perfectly reasonable risk mitigation tactic.

So in conclusion, it is well documented that misaligned or nontransparent funding, even if indirect, can create reputational risks that can harm shareholder values. We concur with the SEC that this is within the company’s power to implement the proposal, and doing so would not be overly burdensome to the company. Thus, we urge our fellow investors to support Item 7 asking Merck to adopt the policy to improve its transparency and accountability in indirect corporate political spending. Thank you.

Robert M. Davis - Merck & Co., Inc. - Chairman, CEO & President

Thank you, Ms. Orr. The Board has carefully considered the submitted shareholder proposal and recommends a vote against it. The company has significant disclosures already regarding the company’s participation in the political process, including with respect to trade associations. And this proposal is not about the company’s political activities. It’s about the political expenditures of third-party organizations that seek financial support from the company. The company may not have any kind of relationship with such organizations, and it is not within the company’s power or authority to guarantee they would comply with the policy or request by the company for this information. For more information regarding the Board’s position on this proposal, please see the Board’s full statement in opposition, which is available on Pages 94 and 95 of the company’s 2023 proxy statement. The Board of Directors recommends a vote against this proposal.

The fourth shareholder proposal is from the province of St. Joseph of the Capuchin Order and other co-filers and concerns patents and access. If Robert Wotypka or a representative for the proponent is on the line, I would now ask the operator to unmute their line to allow them to present this proposal.

Robert Wotypka - Province of St. Joseph of the Capuchin Order

Thank you, Mr. Davis. This is brother Robert Wotypka from the Province of St. Joseph of the Capuchin Order. We are members of the Interface Center for Corporate Responsibility. Along with a co-filers, I move shareholder Proposal #8, which asks our Board for an additional report on how patient access is considered when Merck decides to apply for a secondary or tertiary patent. Merck is an industry leader in bringing innovative and life-saving medicines to our world, as shareholders we want to see our company flourish. There is, however, a balance between innovation and patient access to life-saving drugs that Merck must aspire to achieve to be true with its mission. 3 out of 10 Americans on a prescription drug report
not taking their medicine as prescribed due to cost. Drug prices are kept high through patent strategies that extend patent exclusivity periods far beyond the standard 20 years. This exclusivity prevents and delays biosimilar and generic products from entering the market, creating competition and bringing prices down. Health care needs to be within the reach of every person. What is the point of innovation, if only a small percentage of Americans can gain access and afford its benefits?

Merck’s top-selling drug, KEYTRUDA, was first approved in 2014. KEYTRUDA accounts for almost $21 billion in revenue for 2022. In a letter to the U.S. patent office sent in December 2022, 4 members of Congress stated that an annual course of KEYTRUDA, without any discounts, cost $165,308. Prices increased 147% from the time this drug was first approved in 2014, just over a 5-year period until 2019. Unaffordable prescription drugs have become a bipartisan issue. Both sides of the aisles are calling to prevent abuse of patent practices and to reform the current patent application. Patents prevent competition and protect the monopoly. Innovation is an expensive investment from Merck, that is a given. But why do Americans pay more for KEYTRUDA than patients in Canada, the United Kingdom, France or China? Yes, their health care systems are different. But at the end of the day, Merck sets the prices for KEYTRUDA and all of its drugs.

Proposal 8 requests that the Board of Directors do 2 things: number one, establish a process that specifies how extended patent exclusivities impact product access and how this is considered in deciding whether to apply for a secondary and tertiary patent. And number two, to report - to prepare a report on this process and make it available on the website.

Proposal 8 will not prevent Merck from - for a patent. It will not deter or impede innovation. Proposal 8 seeks transparency on the process that determines what Merck considers when applying for a secondary patent. Proposal 8 impacts only the process that comes after the main active ingredients or a molecule has been patented. As a shareholders, we must vote for this report to bring transparency to Merck’s patenting strategy.

Proposal 8 asks for a report on the process that Merck uses to decide whether to apply for a secondary or tertiary patent, after the made ingredient has already been patented. This report will enable Merck to fulfill its commitments to its values as stated on the website. “We are all accountable for delivering high-quality products and services. We aspire to improve the health and wellness of people and animals worldwide and to expand access to our medicines and vaccines. All our actions must be measured against our responsibility to those who need or use our products.” Proposal 8 does this. Proposal 8 provides a process that will demonstrate Merck’s commitment to expanding access to our medicines and vaccines. As shareholders, we want our return on investment to include putting patients first and to expand access. We therefore urge fellow shareholders to vote for Proposal 8. Thank you.

Robert M. Davis - Merck & Co., Inc. - Chairman, CEO & President

Thank you, Mr. Wotypka. The Board has carefully considered the submitted shareholder proposal and recommends a vote against it. The Board believes adopting the shareholder proposal is not in the best interest of the company or our shareholders because the company has significant disclosures regarding access to its medicines, including access to health guiding principles that guide the company’s global approach to access to health, pricing transparency in the United States, which is the country in which the shareholders supporting statements focus; and the importance of patent protection to innovation in the company’s business. The company’s process for determining whether to apply for patent protection also involves a fact-specific and complicated scientific and legal analysis for every product-related invention that has the potential of being patented. For more information about the Board’s position on this proposal, please see the Board’s full statement in opposition, which is available on Pages 96 and 97 of the company’s proxy statement. Again, the Board of Directors recommends a vote against this proposal.

The fifth shareholder proposal is from the National Center for Public Policy Research and concerns the congruency report of partnerships with globalist organizations. If Ethan Peck or a representative for the National Center for Public Policy Research is on the line, I would now ask the operator to unmute their line to allow them to present this proposal.

Ethan Peck - National Center for Public Policy Research

Merck has a paid partnership with the World Economic Forum and a number of other anti-shareholder globalist organizations, including the Council on Foreign Relations and Business Roundtable. By contributing to the World Economic Forum and having executives and Board members attend
their annual meeting in Davos, the company is funding or participating in the World Economic Forum’s overtly Orwellian agenda. This very public agenda that can be viewed on their website and heard in their conferences include such things as the evolution of private property; replacing meat eating or eating bugs; living in pods; banning reliable energy; the adoption of Chinese style sociocratic systems; one global government that work in tandem with Corporation; implanting people with computer chips and modifying the human genome, amongst a host of other comparably disturbing objectives.

In other words, fellow shareholders, through the company’s partnership with and contribution to the World Economic Forum, our assets are being used to fund the efforts for our own enslavement. How is that in our best interest? All this proposal requests is the report to evaluate the congruency between the Board’s legal obligation to do it in the best interest of shareholders and the company’s paid partnership and working relationship with the World Economic Forum and other similar globalist organizations.

In its opposition statement, the Board doubled down on these partnerships and stated that "Partnerings -- partnerships play a role in overcoming barriers to providing a healthier future for all." Well, that’s just not true. The only barrier of these partnerships are playing a role in overcoming is the barrier between freedom and tyranny.

The company also alludes to the World Economic Forum as being nothing more than a politically neutral trade organization and as a just used as a place for a company leadership to talk stop to further cooperation. Well, that’s also not true. The World Economic Forum is explicitly an agenda-driven organization, and partnering with it is partnering with that agenda. But even if it was true, that still doesn’t make the partnership acceptable, because using our money to fund an evil agenda with a willful ignorance, just so that the company executives can swoosh in Davos with other corporate executives and the shareholder dime is not much better than using our money to fund that same evil agenda with an explicit intent to do so. The Board has a legal obligation to serve our interest as shareholders, not their own personal interest at the expense of shareholders. And that includes vetting how the money that the company gives away is spent.

So the issue is not whether or not every Board member and every executive agrees with every position of every organization that the company gives to, rather it is whether or not the World Economic Forum’s agenda is so beyond the realm of acceptable and so explicitly antithetical to what it means to be a shareholder that it is clearly not in our best interest for the company to contribute to it in any way ever. Fellow shareholders, if you don’t want your money paying for the great reset and the movement seeking to turn the world further into 1984, then we hope that you vote in favor of this proposal. And I assume that whatever the Chairman is going to say after this proposal is a load of nonsense, just like the shareholder meeting, which is a sham.

Robert M. Davis - Merck & Co., Inc. - Chairman, CEO & President

Thank you, Mr. Peck. The Board has carefully considered the submitted shareholder proposal and recommends a vote against it. The Board believes that the requested report would be costly and time-consuming for the company to prepare and would not provide additional value to the company shareholders. For more information regarding the Board’s position on this proposal, please see the Board’s full statement in opposition, which is available on Page 99 of the company’s proxy statement. The Board of Directors recommends a vote against this proposal.

The sixth and final shareholder proposal is from Kenneth Steiner, with John Chevedden as his proxy, and concerns an independent Board Chairman. If John Chevedden or a representative of Kenneth Steiner is on the line, I would now ask the operator to unmute their line to allow them to present this proposal.

John Chevedden - Proxy for Kenneth Steiner

Hello. This is John Chevedden. Proposal 10, Independent Board Chairman. Shareholders request the Board of Directors to adopt an enduring policy and amend the governing documents in order that 2 separate people hold the office of the Chairman and Office of the CEO. Whenever possible, the Chairman of the Board shall be an independent director. The roles of Chairman and CEO are fundamentally different and should be held by 2 directors, a CEO and a Chairman, who is completely independent of the CEO, Ann Merck. The job of the CEO is to manage the company. The job of the Chairman is to oversee the CEO. A lead director is no substitute for an independent Board Chairman. A lead director is not responsible for
the strategic direction of the company, and a Chairman and CEO can ignore advice and feedback from a lead director. Plus there are weaknesses in the role of the Merck lead director. A lead director can only approve meeting agendas and information sent to the Board and fairly has no role in development of meeting agendas and no role in development of the information sent to the Board. The lead director can only approve meeting schedules and apparently has no role in the development of meeting schedules, plus the scope of the lead director approval is only to make sure there is enough time.

The Lowe's home improvement retailer said that having a separate Chairman and Chief Executive Officer allows the Chairman to devote his time and attention to Board oversight. The Merck Board needs attention. Ms. Patricia Russo received 228 million Merck against votes in 2021 and 250 million Merck against votes in 2022. These 2 against votes were up to 38x against votes received by other Merck directors. Ms. Russo also received the most against votes at General Motors, where she is also a Director. Mr. Thomas Glocer, Lead Director of Merck, violates the most important attribute of a lead director independence. As Director tenure goes up, director independence goes down. Mr. Glocer has 16 years director tenure at Merck. Please vote yes, independent Board Chairman, Proposal 10.

Robert M. Davis - Merck & Co., Inc. - Chairman, CEO & President

Thank you, Mr. Chevedden. The Board has carefully considered the submitted shareholder proposal regarding an independent Board Chairman and recommends a vote against it. The Board’s current leadership model provides strong, consistent and experienced leadership as well as robust effective and independent Board oversight of management and allows the Board appropriate flexibility to determine the best leadership structure based on facts and circumstances at a given time. For more information regarding the Board’s position on this proposal, please see the Board’s full statement and opposition, which is available on Pages 100 and 101 of the proxy statement. The Board of Directors recommends a vote against this proposal.

This completes the proposals. I now declare the polls officially closed.

QUESTIONS AND ANSWERS

Robert M. Davis - Merck & Co., Inc. - Chairman, CEO & President

Now we turn to the general question-and-answer portion of our meeting, and we’ve received a number of questions in advance of the meeting, and we’ll try to cover as many questions as we can in the time we have for Q&A. If we run out of time for a question, and you’ve provided your contact information when you submitted your question, we will follow-up with a response.

Now I’ll invite Dean to come back up to the stage and join me at this time. Dean?

Kelly, what is our first question?

Kelly E. W. Grez - Merck & Co., Inc. - Corporate Secretary

Thanks, Rob. Our first question is for you, and it’s one we’ve received from several shareholders. Can you describe Merck’s commitment to diversity, equity and inclusion? And how it is influencing the company’s hiring process?

Robert M. Davis - Merck & Co., Inc. - Chairman, CEO & President

Sure. I appreciate the question. And this is really an important topic, because we’ve always believed in the business value of diverse perspectives at Merck and that the best path to value creation is through talent. Having a variety of backgrounds and ideas drives innovation, which is at the heart of our company. And we’ve always held ourselves accountable for increasing diverse representation. But a few years ago, we went further and tried to drive this even more by putting in a public goal that you can see for representation of women in underrepresented groups within our
leadership, and we’re making progress in this area. We’re also working to create more opportunities for underrepresented groups by evaluating our talent management practices, including how we hire, advance and retain our talent to see where we can remove barriers. I’ll just give you one example of this.

We’re looking at jobs where a 4-year college degree isn’t necessary, and we’re removing that barrier to focus instead on job-related skills and competencies. This significantly expands the pool of talented and diverse candidates who can contribute to our company. It’s these kind of efforts that help us ensure our talented, diverse and inclusive workforce fully reflect the people we serve, our customers and our patients around the world.

Kelly E. W. Grez - Merck & Co., Inc. - Corporate Secretary

Thanks, Rob. We’ve received a few questions from shareholders asking about Merck’s executive compensation policy. Pat, as Chair of the Compensation and Management Development Committee, would you please take this one?

Patricia F. Russo - Merck & Co., Inc. - Independent Director

Sure. Thanks, Kelly, for the question. I’ll start by noting that Merck’s compensation programs are really designed to reward executives based on their achievement of specific company performance objectives, which are intended to drive long-term value for Merck shareholders and with a focus on the pipeline, also helped the company remain an industry leader in developing innovative medicines that ultimately benefit patients. We believe our compensation programs maintain the right balance between annual and longer-term performance. In fact, a significant portion of the compensation for executive teams comes in the form of equity, which is intended to drive longer-term performance and increased value creation.

In our annual program, we have in place both financial objectives and nonfinancial objectives to ensure recognition for top and bottom line performance in terms of revenue and pretax income as well as success in our pipeline advancements.

And lastly, I should add that the comp and benefit — Compensation and Management Development Committee is comprised entirely of independent directors. And like most companies, we do use an independent outside consultant, FW Cook, to help us ensure performance alignment on a regular basis and advise our committee on trends, regulatory requirements, best practices, policies and more. FW Cook also advises the full board on CEO compensation.

Kelly E. W. Grez - Merck & Co., Inc. - Corporate Secretary

Thanks very much, Pat. Our next question comes from Marina Zolotarevsky. And her question is, are you incorporating new digital technologies like artificial intelligence into your operations? And if so, how Dean, would you take this questions?

Dean Y. Li - Merck & Co., Inc. - Executive VP & President of Merck Research Laboratories

Yes. Thank you, Marina, for your question. Now our thesis for the past few years is that the power of machine learning and artificial intelligence is best focused on data, especially large data sets. By curating, collating and connecting such data sets, machine learning and AI will ease the burden of the mundane task and accelerate the generation of novel insights. Together with my colleagues in information technology, we have focused on the large buckets of data that we believe are most amenable to machine learning and AI, text, imaging and Omics data. Across our organization, teams are always looking for ways to apply new digital technologies to help us work smarter and more efficiently, ultimately supporting our goal to save and improve lives.

Across the business, we are using artificial intelligence and machine learning as well as cloud-based computing to help us innovate and become faster and more agile. Biopharmaceutical companies, including Merck, have fundamentally always been data and technology companies aimed at arguably one of the most complex tasks: finding molecules that positively alter human biology and the human experience. We do so in a highly...
regulated environment. Our agility and ability to employ these powerful movements in data and technology with integrity is essential to sustaining our proud legacy of delivering for patients.

**Kelly E. W. Grez - Merck & Co., Inc. - Corporate Secretary**

Thank you, Dean. Our next question comes from Rusty Carr. His question is, can you consider not funding candidates from a particular political party? Rob, would you take this one?

**Robert M. Davis - Merck & Co., Inc. - Chairman, CEO & President**

Yes. Thank you, and thanks for the question, Rusty. It’s important to understand, we engage in the political process to inform lawmakers and candidates on both sides of the aisle about issues that are important to our purpose of saving and improving lives. In setting our political-giving priorities, we have a contributions committee that prioritizes candidates who endorse policies that support innovation and enhance patients’ access to health care. While we don’t always agree with every position or opinion the recipients of our political contributions hold, we do believe it’s critical to engage with a range of stakeholders, including those who may not share our perspectives or values.

**Kelly E. W. Grez - Merck & Co., Inc. - Corporate Secretary**

Thank you, Rob. Our next question involves the pipeline. So Dean, I’ll pose this one to you. It comes from Edward Kennedy who wants to know, can you explain why shareholders should be excited about the new cancer vaccine you’re developing with Moderna?

**Dean Y. Li - Merck & Co., Inc. - Executive VP & President of Merck Research Laboratories**

Thank you for that question, Edward. Let me start by taking a moment to provide some background. Personalized cancer vaccines, which we now refer to as individualized neoantigen therapies, or INTs, are designed to prime the immune system so that a patient can generate an tailored antitumor response specific to their tumor-mutation signature. Based on early clinical studies, we believe the combination of our candidate, [INT-V940] and KEYTRUDA may potentially provide an additive benefit and enhanced immune cell destructions of tumor cells. This evidence to date, together with findings recently published from a separate smaller Phase I study of a different investigational mRNA cancer therapy in patients with pancreatic cancer, are compelling and suggest that we may be at an inflection point in cancer therapy where we will be able to treat and more effectively prevent the recurrence of earlier-stage cancers.

Importantly, we aim to reach a stage where, through improved screening methods, we are able to detect cancer early, treat it and then hopefully free people from the anxiety of potential recurrence. Merck and Moderna plan to initiate a Phase III study in adjuvant treatment of certain stages of melanoma this year and expand to additional tumor types, including non-small cell lung cancer in the future.

**Kelly E. W. Grez - Merck & Co., Inc. - Corporate Secretary**

Thank you, Dean. We’ve received a number of questions about how the Board thinks about the number of Boards on which a director sits and whether that factors in at all to the Board’s review of director qualifications. Rob?

**Robert M. Davis - Merck & Co., Inc. - Chairman, CEO & President**

Well, no. Kelly, thanks for the question. And the short answer is we do take that into consideration. Good governance is essential to long-term shareholder value, and it’s important that the structure of our Board aligns with corporate governance best practices. We feel directors should limit the number of Boards they serve on to give the appropriate level of attention to each. However, rather than set a specific Board membership
limitation, our policies provide that the governance committee of the Board reviews each potential new Board service on a case-by-case basis to assess whether it would allow the director to continue fulfilling their obligations to Merck.

Also, as part of the Board’s annual evaluation process, our independent lead director seeks feedback from each director to determine whether there’s any particular area of concern. Ultimately, we’re confident the Board is well informed and has the appropriate size and mix of members, skills and experience to effectively discharge its duties. All of our Board members are fully committed to upholding their fiduciary duties and are incredibly engaged as their attendance records reflect.

Kelly E. W. Grez - Merck & Co., Inc. - Corporate Secretary

Thanks, Rob. We have time for one last question, and I think it’s one for you. A number of our shareholders have mentioned that Merck speaks a lot about creating value for stakeholders in its proxy statement and 10-K. Why stakeholders generally? Why not shareholders specifically?

Robert M. Davis - Merck & Co., Inc. - Chairman, CEO & President

Ela, I appreciate the question. I think it’s important to understand that shareholders are key stakeholders. We discussed throughout our proxy statement and annual 10-K report how Merck is committed to sustainable value creation. And in fact, we highlight this in our letter to shareholders and discuss how the company’s policies and governance structure are in place to help us achieve this important goal. We continue to leverage our scope, our size and strength to invest in our pipeline and capitalize on opportunities that deliver greater returns for our shareholders, including our dividend policy, which returned $7 billion to shareholders during 2022.

Overall, the success of our science-led strategy is working to deliver value for a range of stakeholders, including patients, society and the communities in which we operate, which importantly, in turn, creates value for our shareholders. And this is very consistent with the philosophy best represented by George Merck’s words from long ago that still guide us today. We never try to forget that medicine is for the people. It is not for the profits. The profits follow. And if we’ve remembered that, they have never failed to appear.

Kelly E. W. Grez - Merck & Co., Inc. - Corporate Secretary

Thanks very much, Rob. This concludes the question-and-answer section of the meeting. I’ll now turn it back over to you.

Robert M. Davis - Merck & Co., Inc. - Chairman, CEO & President

Great. Thank you, Kelly. Let’s proceed with the rest of the meeting. The final report of the inspector of election will not be available today. We do, however, have a preliminary report, which I’ll now ask Kelly to present.

Kelly E. W. Grez - Merck & Co., Inc. - Corporate Secretary

Mr. Chairman, the inspector of election has presented his preliminary report. He has 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 nonbinding advisory vote, the 2022 compensation of our named executive officers. The proposal received an affirmative vote of 91.29% of the total votes cast.

Shareholders also approved, by a nonbinding advisory vote, a frequency of 1 year for future votes to approve the compensation of our named executive officers. This proposal received an affirmative vote of 98.45% of the total votes cast.
The inspector has also determined that the shareholder proposal regarding business operations in China has received an affirmative vote of 3.83% of the total votes cast.

The shareholder proposal regarding access to COVID-19 products has received an affirmative vote of 31.24% of the total votes cast.

Next, the shareholder proposal received -- regarding indirect political spending has received an affirmative vote of 7.31% of the total votes cast. The shareholder proposal regarding patents and access has received an affirmative vote of 31.09% of the total votes cast. The shareholder proposal regarding a congruency report of partnerships with globalist organizations has received an affirmative vote of 1.17% of the total votes cast.

Finally, the shareholder proposal regarding an independent Board Chairman has received an affirmative vote of 32.42% 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 website, www.merck.com, under the Investors tab, along with an archived recording of this meeting. We also intend to disclose the final results on Form 8-K within 4 business days of this meeting. Thank you.

Robert M. Davis - Merck & Co., Inc. - Chairman, CEO & President

Thank you, Kelly. The business of this meeting is now done. Thank you very much for attending Merck’s 2023 Annual Meeting of Shareholders, and I wish everyone a great day.