

MSD Modern Slavery Act Transparency Statement

For the financial year ending 31st December, 2016

This statement is made in relation to Section 54, Part 6 of the UK Modern Slavery Act 2015 and sets out the steps that MSD has taken to ensure that modern slavery and human trafficking is not taking place in our supply chains or in any part of our business.

Our Organisation

MSD is the UK subsidiary of Merck & Co., Inc., Kenilworth, NJ, USA, a leading healthcare company that discovers, develops, manufactures and markets a wide range of innovative pharmaceutical products to improve human health and animal health. Our company is known as Merck & Co., Inc., in the United States and Canada. Everywhere else we are known as MSD. To learn more about MSD in the UK, visit our company [webpage](#).

Our Business

Our business is preserving and improving human lives. We also work to improve animal health. Our product categories include diabetes, cancer, vaccines and hospital acute care. Through our prescription medicines, biologic therapies and animal health products, we work with customers and operate in more than 140 countries to deliver innovative health solutions.

Our Values

As a company whose products touch the lives and wellbeing of people around the world, we hold ourselves to a high standard. And we expect others to hold us to that same high standard.

Our Supply Chain

We purchase goods and services from thousands of suppliers around the world. Some of these are external manufacturing companies that make key ingredients or components for our products, manufacture finished products for us, package our products, and/or transport our medicines.

Organisational Policies

MSD believes in the dignity of every human being and in respecting individual rights. Our company has established global policies and processes to demonstrate this respect, including our Human Rights Policy and our [Code of Conduct \(Our Values & Standards\)](#).

We strive to conduct business with individuals and organisations who share our commitment to ethics and integrity and who operate in a socially and environmentally responsible manner. We seek to obtain the goods and services we need in a way that is lawful, efficient and fair.

Our [Business Partner Code of Conduct \(BPCC\)](#) presents basic principles for our business partners, including those that provide us with services, raw materials, active ingredients, components, finished goods or other products. We use our

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BPCC to inform our business partners of our expectation, among other things, that their workforce is treated with dignity and respect and does not include any forced (or involuntary) labourers or child labourers.

The labour and human rights section of our BPCC states that business partners shall not (i) use any form of forced or involuntary labour, including bonded labour, prison labour or indentured labour; or (ii) engage in or support any form of slavery or human trafficking.

We communicate our BPCC to suppliers prior to the signing of any new or renewed contract or agreement. Our BPCC is posted on our company's webpage and is publicly available in 24 different languages, covering all countries in which MSD currently operates.

In December 2015, we reviewed and updated our BPCC (Edition II) to include additional provisions around human trafficking and slavery, including employment (recruitment) practices, employee disclosures (contracts) and housing standards.

Due Diligence

In May 2015, we established a due diligence process to evaluate the labour and human rights risks presented by our potential new i) direct material suppliers and ii) select indirect material suppliers located in countries identified as high risk for labour and human rights.

As part of our due diligence, we use a questionnaire to gather information from suppliers on a range of labour and human rights risk areas, including Freely Chosen Employment, Child Labour, Young Workers, Fair Treatment, Wages & Benefits, Working Hours, Recruitment Practices and Employee Disclosures.

The information gathered is used to determine the acceptability of suppliers' local practices for labour and human rights. The results of our due diligence activities are used by our procurement professionals to inform our supplier selection and risk management processes.

In 2017, we plan to expand the scope of our labour and human rights due diligence activities to include more of our existing direct material suppliers.

Contracts

Before entering into a business relationship with a supplier, we ensure that appropriate contracts are in place. Through our contracts, we endeavor to obtain a written commitment from suppliers to respect and abide by the principles set forth in our Business Partner Code of Conduct (BPCC), including those related to labour and human rights. We expect all our business partners to firmly adhere to these principles and operate in full compliance with all applicable laws, rules and regulations.

Auditing

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In August 2015, we instituted a formal audit programme to evaluate supplier compliance with our company's standards for labour and human rights. The services of several third party audit firms were engaged to perform independent labour and human rights audits at a number of our direct material supplier's facilities.

The facilities selected to receive an audit were located in countries identified as high risk for labour and human rights. All were provided with advanced notification of our plan to audit their facility. Audits were conducted over a 2-day period and comprised of interviews, a facility tour and a review of relevant documentation. In total, 57 supplier facilities were audited in 2015 and 2016.

Our supplier audit programme for labour and human rights is still evolving. We intend to perform additional audits during the course of 2017, focusing on direct material suppliers whose facilities are located in countries identified by us as high risk for labour and human rights.

Monitoring & Reporting

For suppliers that have received a labour and human rights audit, we established a process to monitor and track the closure of the corrective actions being taken by them to address identified instances of non-compliance revealed by our audits.

For each of these suppliers, we monitor and report on the status of their planned corrective actions to members of our Third Party Risk Steering Committee. Suppliers that fail to address identified instances of non-compliance in a responsible manner are brought to the attention of this Committee.

Oversight

To further strengthen our oversight of the risks presented by third party business relationships, we formed a new Third Party Risk Oversight Committee. Chaired by our Senior Vice President (SVP) of Global Procurement, the role of this committee is to assist senior leadership by providing independent and objective oversight, monitoring and reporting in relation to the risks presented by third parties.

Training

Every MSD employee is trained each year on the values and standards set forth in our company's Code of Conduct. All are provided with information on how to confidentially and anonymously report concerns, using a variety of channels. We provide training on our Business Partner Code of Conduct (BPCC) to all procurement employees that have responsibility for (1) the selection of new suppliers and (2) managing MSD's existing base of suppliers. Additional training on how to review, evaluate and mitigate concerns stemming from our supplier due diligence activities is also provided to this same group. This training is designed to help them identify, evaluate and mitigate potential risks associated with labour and human rights in our supply chain.

Raising Concerns

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We encourage the reporting of concerns and continue to maintain reporting channels to enable our employees and our business partners to raise concerns, including any relating to improper labour and employment practices or the unfair treatment of workers.

Any individual or organisation that knows or suspects that an MSD business partner or anyone acting on our behalf has engaged in activities that violate MSD's Business Partner Code of Conduct is encouraged to report the matter promptly to MSD, through our company's [AdviceLine](#).

Our AdviceLine is staffed by an outside organisation and is available around the world, 24 hours a day. Any individual that reports a concern can remain anonymous if they choose. We investigate all reported concerns to determine what action needs to be taken.

Accountability

At MSD, all employees are responsible for adhering to the values and standards set forth in our own Code of Conduct, complying with all relevant company policies and for raising concerns if they are uncertain as to whether or not standards are being met. Violations may result in a variety of corrective actions and in some cases may result in disciplinary action up to and including termination of employment.

We hold our suppliers accountable for meeting their contractual obligations with MSD, including commitments that are made with respect our Business Partner Code of Conduct (BPCC) and regulatory compliance. Contract non-compliance can result in termination of MSD's business relationship with the supplier and exclusion from any future business with our company.



Louise Houson

Managing Director
Merck Sharp & Dohme Ltd.

January 2017