

## **COMPENSATION AND BENEFITS COMMITTEE CHARTER**

The Committee is comprised solely of independent directors, to serve at the pleasure of the Board.

The Chairperson of the Committee or, if not present, the senior independent Director present, shall preside at all meetings of the Committee.

The Senior Vice President, Human Resources of the Company is Secretary of the Committee. The Chief Executive Officer shall meet with the Committee as appropriate.

### **PURPOSES, DUTIES AND RESPONSIBILITIES**

#### **PURPOSES**

The purposes of the Compensation and Benefits Committee of the Board are (a) to establish and maintain a competitive, fair and equitable compensation and benefits policy designed to retain personnel, to stimulate their useful and profitable efforts on behalf of the Company and to attract necessary additions to the staff with appropriate qualifications; (b) to discharge the Board's responsibilities for compensating the Company's executives; (c) to oversee the competency and qualifications of senior management of the Company, provision for senior management succession, the soundness of the organization structure and other related matters necessary to insure the effective management of the business; (d) to produce an annual report on executive compensation for inclusion in the Company's proxy statement; (e) to carry out its responsibilities under the terms of the Company's benefit plans; and (f) to act on specific matters within delegated authority.

#### **DUTIES AND RESPONSIBILITIES**

1. The Committee shall:
  - a. Review and approve corporate goals and objectives relevant to the Chief Executive Officer's compensation, evaluate the Chief Executive Officer's performance against these goals and objectives, and, based on its evaluation, set the Chief Executive Officer's compensation.
  - b. Recommend to the Board of Directors or approve changes in individual base salary rates where Board or Committee approval is required in accordance with General Corporate Resolution No. 2.
  - c. Make recommendations to the Board of Directors regarding the election of officers.
  - d. Have sole responsibility for the engagement and termination of compensation consultants in the areas of director or executive compensation and sole authority to approve engagement fees and terms.
  - e. Recommend to the Board of Directors or approve severance payments where Board or Committee approval is required in accordance with General Corporate Resolution No. 2.

- f. Approve payments to former employees for consulting or similar services, and payments to surviving spouses of deceased employees where Committee approval is required in accordance with General Corporate Resolution No. 2.
  - g. Recommend Directors' Awards to the Board of Directors under the Appreciation at Merck Program.
  - h. Evaluate Committee performance no less frequently than annually.
  - i. At the request of management, make itself available for consultation with management on matters relating to compensation and organization.
  - j. Report regularly to the Board on the Committee's activities and inform the Board promptly of any issues or concerns.
2. The Committee shall perform its respective administrative functions as set forth in the Company's Executive Incentive Plan, Deferral Program and Base Salary Deferral Plan, including amending or terminating the plans.
  3. The Committee shall perform the administrative functions set forth in the Company's 1991 Incentive Stock Plan, 1996 Incentive Stock Plan, 2001 Incentive Stock Plan, 2004 Incentive Stock Plan, any successor plan to the 2004 Incentive Stock Plan and such other plans of companies acquired by the Company ("Acquired Company Plans").
  4. The Committee shall appoint members of the Management Pension Investment Committee.
  5. The Committee shall adopt, for the Company or an affiliate, incentive compensation plans and equity-based plans, and other employee benefit plans if such plans are of a type not previously approved by the Committee or Board where Board and/or stockholder approval is required.
  6. The Committee shall be consulted (or, with respect to the Hourly Plans, advised) by management with respect to the actions involving any Executive Compensation, Pension/Savings or any other employee benefit plan, including:
    - a. the adoption for the Company or an affiliate of any new plan of a type not previously approved by the Board for the Company, where Board and/or stockholder approval is required, or
    - b. an amendment to a plan which requires Board and/or stockholder approval by law or plan document, or
    - c. an amendment to an Executive Compensation plan, or
    - d. an amendment to a Pension/Savings plan which (i) would result in a cost increase to the Company (in excess of 5%), (ii) would have a significant adverse impact on the prospective rights of participants or (iii) would have a significant effect on the long-term rights or liabilities of the Company.
  7. The Committee may be consulted by management with respect to actions not specified in paragraph 6 under any Executive Compensation, Pension/Savings or any other employee benefit plan where management deems Board or Committee review to be appropriate or desirable.

## **MEMBER QUALIFICATIONS; APPOINTMENT AND REMOVAL**

Membership shall be limited to the independent Directors of the Company. Members must have an understanding of and interest in compensation and benefits issues relevant to the Company's workforce, derived from substantial management responsibility or relevant training or education.

Members shall be appointed to the Committee by a vote of a majority of the Board. Members shall serve on the Committee for such period as the Board may determine, and may be removed from the Committee at any time upon the vote of a majority of the Board. The Chairperson shall be appointed by a vote of the majority of the Board.

## **QUORUM; MEETING FREQUENCY**

For the transaction of business at any meeting of the Committee, two members shall constitute a quorum.

The Committee shall meet in February, July, October and November of each year, or at such other times as the Committee may determine. Meetings may be called by the Chairperson of the Committee or upon the vote of a majority of the Board.

## **DEFINITIONS**

1. "Executive Compensation" plans shall include:

- Executive Incentive Plan
- Deferral Program
- Base Salary Deferral Plan
- 1991 Incentive Stock Plan
- 1996 Incentive Stock Plan
- 2001 Incentive Stock Plan
- 2004 Incentive Stock Plan
- Any successor plan to the 2004 Incentive Stock Plan
- Acquired Company Plans

2. "Pension/Savings" plans shall include:

- The Retirement Plan for Hourly Employees (an "Hourly Plan")
- The Retirement Plan for Salaried Employees
- The Supplemental Retirement Plan
- Employee Savings and Security Plan
- Employee Stock Purchase and Savings Plan (an "Hourly Plan")