

## **Teal Talks Episode 3**

### **Building a responsible business: 4 Merck CEOs on our legacy & future**

#### **Julie Gerberding:**

Welcome to Teal Talks, where we have bold and intelligent conversations with innovators, leaders, and influencers from around the world.

Today we're talking about what it takes to run a responsible business. I'm thrilled to introduce our four esteemed guests who collectively represent more than 36 years of CEO leadership.

So, welcome Dr. Roy Vagelos, who served as the CEO from 1985 to 1994. Next, we have Mr. Dick Clark, who also served for several years before becoming the CEO from 2005 to 2011. Joining us also is Mr. Ken Frazier, who's been a leader since 1992 and became the CEO in 2011. Ken announced his retirement earlier this year, paving the way for Mr. Rob Davis, a seasoned leader in his own right, to assume the CEO role. We're excited to congratulate Rob as he steps into the shoes of the executives who served before him. So, thank you for joining this conversation, gentlemen.

Companies and investors are talking about ESG investing, an investment strategy that strives to put money to work and companies that not only strive for financial success but also strive for positive, social, environments, and governance impact. For many, ESG might seem like a new concept, but for Dr. Vagelos, those actions you would call moral leadership are actually exemplars of today's ESG.

So, let's start with your bold decision to take on the fight against river blindness, which is a devastating vector-borne disease and a major cause of blindness in many areas of the world. Tell us about your decision back in 1987 to help eliminate this dreadful disease.

#### **Dr. Vagelos:**

The research group came through with a molecule that was rather unlike anything that had ever been seen before because it killed parasites. It controlled parasites in, first, horses, then cattle, then sheep, pigs. Ultimately, it also controlled the dog cardiac disease.

In 1981, some of our infectious disease people came to see me and said this drug might work in a disease called river blindness. I said well, what is it? It's a worm that exists in two stages: the adult, and the babies. Microfilariae. I said well how do we study it?

Well we take a pinch of skin under a microscope, count the number of microfilariae. So I said change the name so that it will be not confused with an animal health drug. We'll call it Mectizan. And they came up with the name of course. And so they were off to Africa to test it, and the results from the initial clinical study was rather startling. They gave a tablet to everybody who had a pinch of skin with high numbers of microfilariae. The came back in a month, the microfilariae were completely gone.

And so, we finished the development program. We were ready to distribute the drug, but who was going to buy this drug? And it turns out, the people who had this disease are among the poorest in the world, really poor. We got together and decided we had to get this drug out to people, and we made the announcement in 1987 that the company would contribute the drug to everyone who needed it anywhere in the world for as long as it was needed.

**Julie Gerberding:**

Four billion treatments in 49 countries I believe is the number as of January of 2021. So, it is truly astonishing. As impressive as that social program is, you actually did it again. So, we would love to hear about the story and what prompted you to make Merck's recombinant hepatitis B vaccine technology available to the Chinese manufacturers. And when you started it, what did you expect versus now when you look back on that what have you seen and are you pleased with the progress that's been made?

**Dr. Vagelos:**

The vaccine was studied, it was good, it looked excellent in clinical research. And so it was approved in 1981. But 1981, as you recall, was the first vision of what AIDS was going to happen to the world. And that is terrible HIV infection. And the people who are getting this were the people at high risk, same people from whom blood was being taken to make the vaccine from the plasma of such people.

And, so we converted our process, studied that antigen from baker's yeast, and made a vaccine. And it became the world standard, the first recombinant vaccine in the world. And the Chinese came to us late in the 1980s and said there's a very high instance, 10% of the Chinese population carrying this virus. And it is the number two cause of death, second to cigarette smoking. We agreed to a technology transfer in which the Chinese, from two places -- from Beijing and Shenzhen, came to the United States, came to Merck, on our ground. We taught them over three years how to make the vaccine. Then, our people and their people went together -- engineers, technicians, scientists -- to Beijing and Shenzhen, built two plants that would initially

produce 40 million doses of the recombinant hepatitis B vaccine in China. It was exactly the same as what was being made in the U.S. by Merck. Merck never made a penny of profit in that deal, but they did it because the capability of the company was astronomical. And they could do almost anything, and we were very fortunate to be in a position to make that gift to the Chinese, and they are forever grateful for what Merck contributed.

**Julie Gerberding:**

So, I'm going to turn now to Dick. During your tenure, you agreed to commit \$500 million, ten year investment in the signature program, Merck for Mothers, which is our effort to do our part to try to reduce preventable deaths among women in their pregnancy. So, I was there when you received this initial proposal. How did you first react to it and what value did you see in it at that time, and I guess, why did you come to support it?

**Dick Clark:**

In 2010, the UN announced its launch of the global strategy for women and children's health. And the fact that every two minutes a woman in childbirth was dying worldwide. So knowing that we have an issue like this, knowing that we have the business and technical skills and the capabilities, why not go forward and do it? Then the next question is, is it just an initiative or a nice program or are we actually going to step up and do something pretty impactful that has an impact on the world?

And so, as Mr. Frazier knows, as we discussed this, to be able to do a half a billion dollars and ten year commitment to the UN and other NGOs and other private and government partners was the answer. It was an important program and as Ken will probably tell you later, I think right now we've been able to have an impact on at least 13 million women who gave birth in a more positive way than was in the past.

**Julie Gerberding:**

When you retired, you helped create the Fellowship for Global Health in 2012. And I think there have been more than 250 Richard T. Clark Fellows from 40 or 39 countries who have come into programs that last about three months, immersion in global health, learning and contribution.

You had a chance to hear from some of these fellows in 2019 when you came back and addressed that year's cohort. So, I'm curious if you can describe how you view their accomplishments and have we been able to fulfill what you had in mind for that program when you launched it.

**Dick Clark:**

To be able to put a program like this together that would reach out to other NGOs in 35 to 40 countries to help them with their health care infrastructure to make people's health much better than it was in the past, and we have the skillset, it was an important part of why we put this program together.

The second idea is that from a person's development, both professionally and personal to be able to do this. To have the three months to visit other parts of the world -- whether it was Asia, Africa, or the Americas -- and to have this impact was very, very important. And it really quantified saving and improving lives, which is our mission, by having these individuals and employees do this.

**Julie Gerberding:**

We get more applicants than we can possibly accommodate each year. You didn't stop there either, Dick. And I won't ask you to go in depth there, but I got to know you best when I served on your board when you were chairing Project Hope. And I know that you had a very compelling way to describe the value that participating in a global health NGO would create. So, can you recapture that value proposition that you utilized to encourage them to join the board, not just for global health, but also for them and their companies?

**Dick Clark:**

Project Hope views sustainable solutions that are built to last for individuals and health care systems and structures in 35 different countries and reaches over a million people a year. They have \$36 million in donations for medicine and vaccines and health care equipment. It's helped over 100,000 newborns with neonatal care. And, so, when you put this story in front of fellow CEOs, it's all about outcomes. It has to be outcomes based. They have to be able to see that there's tangible results for their philanthropic corporate responsibilities. And that we're making a difference in the world. And the good news is our tradition continues because Rob is now a member of the board of Project Hope.

**Julie Gerberding:**

So, Ken I'm going to turn to you now. You have been absolutely involved and passionate about Merck for Mothers from the time that it was conceived. I would say actively involved, championing it in Davos and a lot of other environments where you really help amplify the importance and the impact the program was having. And this year is not just marking on your retirement, it's also marking ten years since the

program was initially started. So, it's time for us to take note of the incredible scale and impact that Merck for Mothers has had. So, I'd like to hear from you a little bit about what it means to you personally to have supported this, why this issue matters to you, and what you think of when you look back and see the incredible results that have been achieved and the decade of effort.

**Ken Frazier:**

Let me start by saying that following on Dick Clark's lead, I feel honored to have played a modest part in such a life altering initiative. One that has helped already 13 million women have healthier pregnancy and safer birth outcomes.

For example, we recently announced a second round of the Safer Childbirth City Grants to make U.S. cities safer and more equitable places to give birth, and a fifth round of projects through the global grants program aimed at advancing maternal health. And let me say that I think that most people think of this as an issue that exists outside the United States. But the United States is ranked something like 47<sup>th</sup> when it comes to preventing maternal death in childbirth. And if you look globally, it's about every two minutes a woman dies from complications related to pregnancy and childbirth. And the sad fact is that most of these deaths are completely preventable if women have access to modern contraceptive and quality maternal healthcare before, during, and after childbirth.

And that's why over the past ten years or so we've made so many strategic social investments, 100 or more over 50 global sites from Argentina to Vietnam through Merck for Mothers. And many of these are tailored to addressing this health equity crisis head on. Merck for Mothers program helps elevate historically marginalized voices, helping to reverse the persistent health inequity with the goal that no mother should have to die in order to give life. And that's something I think that we all should be proud of.

**Julie Gerberding:**

Thank you, Ken. It touches my heart just to hear you talk about it in those terms. But I also know at times, we're in a business, and we have to pay attention to cost efficiencies and expenses, and there are sometimes stakeholders who are pushing back against the investments and a scale like the \$500 million investment?

**Ken Frazier:**

So, I think a company that's 135 years old has gotten to where it's got because it's had a sustainable business model. And, I believe part of that sustainability particularly for

life sciences companies is to build on a foundation of corporate responsibility. And I'm proud that my predecessors, Dick Clark and Roy Vagelos, actually exercise moral and ethical leadership and I hope we'll continue that.

We've always been a company that thought it was important to be compassionate, not just to the people in those markets that can pay for our medicines, but also compassionate to the most vulnerable people on the planet.

**Julie Gerberding:**

Rob when you're sitting here thinking about these issues and you hear your predecessors talk about their experiences, but also the challenge of finding that balance between the shareholder value, the business model, and then as Dr. Vagelos describes it in his book, just doing something because it's the right thing to do. How are you going to think about pulling those together and what is your outlook based on this legacy that we're leaving you with?

**Rob Davis:**

Well, thank you, Julie and just sitting here and reflecting on all of the comments that Dr. Vagelos made, Dick made, Ken. It really, one, fills me with a lot of pride of what this company has been able to do, the impact we've been able to have. But as you get to your question of how does that connect back to value, I don't see this as an either/or. I believe if we do the right things, medicine as we know is about being for the patient. And as George Merck said, if we focus on that and don't forget that, the profits will follow. And in that sense, the mission of this company is tied so integrally with doing the right thing, delivering for the patients we serve, and I'm confident that when we do that, we will deliver for society and we will deliver for our shareholders.

**Julie Gerberding:**

You want to just say a couple words about the decisions that have been reached around our environmental sustainability target for Merck?

**Rob Davis:**

Sure. Well obviously, as Ken mentioned, companies more and more are being expected to participate as part of society. And that's not only in social justice issues, it's not only in health issues, it's also in the part we play in ensuring the environment continues and is as safe and prospering as it can be for future generations that come. And in that spirit, we're now committed to be carbon neutral in our operations by 2025. That's a pretty significant acceleration from where we've been. And I think it just is a different facet of the commitment that we have as a company that it's all

about what do we do to make sure that we're being the right corporate citizen? And, so I'm proud of what we're going to do in that area.

We are going to continue the work in social justice and a lot of the programs that you've been asking about today all continue. We just announced the 11<sup>th</sup> cohort for the Fellowship for Global Health which begins in July. We continue to make the commitment to provide Mectizan free as long as it's needed. So, we will continue these important programs. We're going to continue to participate as we look forward and the need to bring vaccines to the world through the work we're doing with Gavi, with UNICEF and the Bill and Melinda Gates Foundation.

And most recently, we're working on an investigational drug antiviral therapeutic for COVID-19. And we have now recently signed up several voluntary licensees so that we can ensure we can bring that drug to people who need it in 104 of the low- and middle-income countries. So, global access continues to be a focus for us, and it will be as we move forward.

**Julie Gerberding:**

This has been a remarkable and, for me, thrilling conversation, and I look forward to watching Rob continue the legacy of social responsibility as he continues the legacy of inventing really important medicines and vaccines. So, thanks to everyone for joining us for Teal Talks, and we look forward to seeing you next time.

Thank you.