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Meg Tirrell

PRESENTATION

Meg Tirrell

(technical difficulty)

Chairman and CEO of Merck. He's been there, of course, since 1992 in this role since 2011. Of course, in February, which was the last time that Ken and I got to speak, they announced his retirement as CEO, although he'll remain Executive Chairman for some period of time. Of course, as CEO of Merck, Ken has overseen the rise of KEYTRUDA. At the beginning of his tenure as CEO, he told me there was a pressure on the industry to cut research and development. That was a pressure that he resisted.

I'm going to hand it over to Ken Frazier now for his presentation. And I also encourage everybody to put your questions in the Q&A tab, and we'll get to those after the presentation. Ken, over to you.

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

Okay. Good morning all, and thank you, Meg, for that introduction. I also want to thank the Chief Executives for Corporate Purpose, along with the Biopharma Sustainability Roundtable, for hosting this forum today.

Just 3 years ago, I joined many of you in person at the CEO Investor Forum. Although Merck's business has evolved since then, we remain focused on delivering value to all of our stakeholders in the long term. As many of you may already know, at Merck, the spirit of invention drives everything we do. Our mission is to save and improve lives for generations.

So here, in all its glory, is our forward-looking statements. So let's move on. As I just said, our mission at Merck is to save and improve lives all around the world, and we take this quest seriously. Our colleagues are guided by our mission and our steadfast values. Our journey to invention and discovery is grounded in long-term investments in breakthrough scientific research, and we're inspired every day in the work we do by the patients we exist to serve.

For 130 years, we have been guided by the view that great medicines and vaccines change the world. We focus on identifying significant unmet medical need and investing in the solutions that can address it. By following the science, we've been able to consistently deliver value for society as well as our business.

Our legacy has also been built on the understanding that operating responsibly, enabling access to health for the patients and communities we serve and investing in and cultivating our human capital underpin the success and long-term sustainability of our approach. As you all know, these are very exciting times for our industry. Capital has flowed to the industry due to the compelling potential opportunities being created at the crossroads of rapidly advancing technology and dramatically increased understanding of human biology. The future of our industry is bright. Because of our science-led approach and robust R&D efforts, Merck continues to be a leader in breakthrough science and innovation, addressing some of the most critical health needs of patients and animals around the world.

Of our \$48 billion in revenue last year, \$9.2 billion were invested right back into research and development. These investments have grown in recent years given the opportunities we see across many areas of our pipeline. A portion of this investment was directed to programs to address

the COVID-19 pandemic. We are studying an oral antiviral called molnupiravir in a large Phase III trial and believe it can potentially play an important role in stopping replication and transmission of this and other future coronaviruses and prevent serious disease in affected people.

Let me step back and highlight the very impressive industry-wide response to COVID-19, which reinforces the value of the ingenuity and investment that the U.S. biopharmaceutical industry brings in addressing areas of unmet medical need. It was Abraham Lincoln who said over 150 years ago that the U.S. patent system adds the fuel of interest to the fire of genius in the discovery and production of new and useful things. This rings particularly true in times of enormous societal need like that which we are now experiencing. Our industry acted with impressive urgency to address COVID-19. The vaccines now in the market were developed with unprecedented speed and are achieving extremely high efficacy. As a result, lives are being saved and at least U.S. society is on its way to returning to normal. Pfizer, BioNTech, Moderna and Johnson & Johnson, who we are proud to partner with to help with manufacturing, should all be commended for their success.

Beyond COVID, Merck's investments in R&D have led to a portfolio of innovative products that has driven strong revenue growth over the past several years. The focus on R&D will be even more amplified with the recent spin-off of Organon. This transaction has created 2 companies with enhanced strategic focus, improved agility, simplified operating models, and I'm confident it will create value for patients and shareholders alike.

At Merck, we remain focused on our current key growth pillars: oncology, vaccines, hospital and specialty products and animal health. Within oncology, KEYTRUDA routinely surpasses major milestones and is bringing remarkable benefits to patients across many types of cancer, and we believe KEYTRUDA has the potential to be one of the industry's largest products ever.

In our vaccines business, we've seen renewed growth with GARDASIL driven by increasing worldwide awareness that this is an anticancer vaccine. Only 5% of the indicated global cohort is vaccinated. So we believe GARDASIL and GARDASIL 9 both have sustainable long-term growth potential.

We have a broad portfolio of hospital and specialty products that provide important benefits to patients, including BRIDION, which we expect to continue its strong growth given the benefit it provides to patients undergoing surgery. And our Animal Health business remains a market leader with growth that is actually very strong relative to the rest of its competition.

So at Merck, right now, we think we're very well positioned to drive future growth. Longer term, our growth will be supplemented by our expanding pipeline of innovative assets. We have increasing line of sight to meaningful drivers of growth later this decade and into the next.

In oncology, we have one of the industry's broadest immuno-oncology clinical development programs studying KEYTRUDA in over 1,400 clinical trials, 1,000 of which are in combination. And we have an early oncology pipeline comprised of over 25 internally owned novel mechanisms that are being studied as monotherapy and in combination and co-formulations with KEYTRUDA. From now until 2028, our oncology portfolio is positioned to potentially yield over 90 new approvals and indications. We have a rich legacy in vaccine research and a broad pipeline addressing large areas of unmet need, including in pneumococcal disease, RSV and in dengue.

In infectious diseases, we are pleased to build upon our proud legacy of innovation in HIV with our collaboration with Gilead Sciences on the co-development and co-commercialization of 2 potentially first-in-class candidates, Merck's islatravir and Gilead's lenacapavir. We continue to supplement all of this progress with external innovations through business development. We've been active, having completed over 120 transactions in 2020 alone, but business development remains still for us an important strategic priority going forward.

We've also invested in our early-stage discovery capabilities and reinvigorated our efforts by opening 3 new research facilities in key biotech communities. These discovery hubs engage in studies spanning therapeutic areas and modalities and provide us access to key diverse talent and knowledge sharing in important biotech communities where the talent pool is very rich.

Our discovery efforts are leading to a robust and growing early pipeline, which we are confident will deliver new medicines across many therapeutic areas in the coming decades. At Merck, we believe firmly in innovation coupled with an unwavering commitment to our values. We think that this commitment to innovation and our values is the source of long-term business sustainability and value creation for patients, shareholders and society.

Given the opportunity we have to positively impact future generations, our Executive Committee and our Board must ensure that our decisions make sense beyond the short term. Otherwise, we'll be, in effect, borrowing value from the future and bringing it into the present. Our ESG approach focuses on the long term. Managing environmental, social and governance issues is not new to Merck. It's been a part of our business strategy since it was more commonly referred to as corporate citizenship, corporate social responsibility or any of the other myriad terms that have now evolved into ESG. A biannual ESG materiality assessment, where we engage with a large group of our stakeholders, provides us insight into future trends and potential business risks and opportunities.

Our shareholders' input guided us to 4 strategic ESG pillars: access to health, employees, environmental sustainability and ethics and values. Under these pillars, we have about 30 ESG topics that have been identified as important to our stakeholders and our business. We're managing these risks and opportunities by allocating resources to support actions that are aligned with our most important business priorities. There are a few I'd like to call out.

Access to health, getting life-saving medicines and vaccines into the hands of people who need it. This is essential to our business and an area of significant focus. We developed our access to health guiding principles to ensure we continue to fulfill our commitment to access as a core company value. We are also committed to measurable action to advance our access principles and to transparently report on our progress through key performance indicators. For example, as reported in our most recent corporate responsibility report in 2019, our products and pipeline addressed 100% of the top 20 global burdens of disease. We established 78 significant external licenses and collaborations as part of our commitment to collaborate with diverse partners to expand our research and development capacity. And we initiated dedicated affordability solutions in 40 countries.

Next, our employees. They are our greatest asset. To be truly successful, we must first address their health, well-being and safety. Our approach has included providing information, resources and programs for both physical and mental well-being. We placed a special emphasis on mental well-being to help our employees cope with the effects of the pandemic, and we're incredibly proud of their resilience and their efforts to help others in communities where they live and work. We must also prepare our workforce in their efforts to serve patients by boosting our employees' ability to accelerate growth, reimagine ways of working and improve operating model economics. This is accomplished by building the skills and capabilities to accelerate talent, improve performance and mitigate risks through relevant continuous learning experiences. And we are focused on creating a more diverse and inclusive workforce, which I will speak to in just a few minutes.

In the area of environmental sustainability, global efforts to combat climate change are essential to human health and the sustainability of our business. We recently announced plans to accelerate our climate action goals, building on our long-standing efforts to protect and preserve the planet and the communities where we live and work. We will achieve carbon neutrality in Scope 1 and Scope 2 emissions across all of our operations by 2025. We'll reduce our Scope 3 supply chain initiatives 30% by 2030 by continuing to engage with suppliers to reduce their emissions, promoting opportunities for suppliers to source renewable energy and using existing procurement and supply chain processes to drive additional strategies to decrease emissions. We will accelerate by 15 years our previous 2040 Scope 2 goal of sourcing 100% renewable energy for purchased electricity. In support of this goal, we signed 3 new virtual power purchase agreements, which provides significant amounts of carbon-free energy from solar and wind sources. Our comprehensive approach to addressing risks and opportunities to drive long-term business value include concrete strategies and actions that target the major business and societal trends that are relevant to our ESG pillars.

To illuminate this approach, I'll share with you our strategies and actions to address 3 trends we have identified with significant impact for both our business and society: first, persistent high unmet medical needs around the world; second, inequities in health and access to health care; and third, the value of a diverse and inclusive workforce. Central to Merck's purpose and our ability to sustain long-term growth is our ability to address high unmet medical need around the world. This includes not only our investments in developing new products, but also ensuring our products reach those who need them. Expanding patient reach and access are at the core of our business and at the core of our ESG strategy. We employ a multipronged approach that includes innovation and product delivery mechanisms, access planning during product development and affordability solutions for patients and communities.

First, I'd like to share several examples that illuminate how we are evaluating alternative formulations and delivery mechanisms to improve upon existing therapies. In oncology, we work with regulatory authorities on a 6 weekly dosing option across our KEYTRUDA indications, thereby reducing the dosing schedule for patients by half. Additionally, in oncology, we've shown early data from our subcutaneous formulation of KEYTRUDA, and

we started evaluating co-formulations, all with the goal of improving patient benefit and access. In infectious diseases, we presented initial data from our study evaluating a subdermal implantable to prevent HIV infection and to ensure better adherence.

Regarding access planning, we undertake a systematic evaluation at the onset of Phase II stage gates or earlier to determine a product candidate's potential to meet unmet medical needs of patients who live in low- and middle-income countries. Addressing health care access challenges in these settings requires the collaboration of multiple stakeholders, and we seek partnerships to achieve solutions that enable access to our innovation. One such example is our collaboration with the Bill & Melinda Gates Foundation on a pivotal Phase III study to evaluate the efficacy and safety of islatravir as a once-monthly oral, pre-exposure prophylaxis option in women and adolescent girls at high risk for HIV infection in sub-Saharan Africa. More than half of new HIV infections globally occur in sub-Saharan Africa, with women accounting for nearly 60% of new infections in this region. This collaboration with the Gates Foundation exemplifies how we design tailored solutions, often in partnership with key stakeholders, to reach the patients and populations who can benefit from our innovations.

Another example is the decision we made in 2015 to extend our current GAVI prices for GARDASIL through 2025 to GAVI-graduated countries based on per capita gross national income. This action has facilitated access in most countries while also ensuring affordability and sustainability in the long term.

We have also employed the use of voluntary licenses as a mechanism to broaden access. Just last month, in response to the health crisis in India related to COVID-19, Merck entered into nonexclusive voluntary licensing agreements with 5 established Indian generic manufacturers to supply molnupiravir, our investigational oral antiviral agent currently being studied in a Phase III trial for the treatment of nonhospitalized patients with confirmed COVID-19, in order to accelerate its availability following approvals or emergency authorizations. Under the agreement, Merck will provide licenses to these manufacturers to supply molnupiravir in India and more than 100 low- and middle-income countries.

Our approach to expanding access and patient reach is also predicated on the belief that broadening access requires sustained effort and is best achieved through solving the underlying challenges in the health care system. We addressed these complex challenges through dedicated solutions and often in collaboration with other stakeholders in the health care ecosystem.

For example, in many markets around the world, one of the recurring access challenges patients face is the potentially high out-of-pocket cost for critical illness treatments. Recognizing this, we collaborate with reinsurers and insurance companies in several countries to enable them to develop accessible health insurance products for the population, covering, among others, innovative cancer therapies. This provides much-needed optionality for the population and drives greater health care inclusion. As this model further expands, it offers the potential to solve 1 major access hurdle and widen access to innovative cancer therapies for patients in a commercially sustainable way.

Moving to the second trend I want to discuss on today -- excuse me, I want to focus on today, which is very much related to access, that is disparities in health equity. At Merck, we have prioritized health equity because our company's mission to save and improve lives calls upon us to do our part to help ensure everyone has a fair and just opportunity to be as healthy as possible. Our company has a long history of promoting health equity. Through the Merck Foundation, we've contributed nearly \$1 billion to support programs that improve health care equality and address barriers to care for people living in underserved and vulnerable communities. Our company also committed \$500 million to create Merck for Mothers, our global initiative to help create a world where no woman has to die while giving life because we believe that everyone should have access to the quality and respectful care she needs for a healthy pregnancy and safe childbirth regardless of where she lives, where she seeks care or the color of her skin. Today, our efforts have reached over 13 million women in more than 50 countries.

In addition, as part of our COVID-19 response, we are helping to address the needs of vulnerable patient populations and communities most impacted by the pandemic. We have contributed or committed more than \$30 million in support of global, national and local COVID-19 response efforts.

Health equity is also a core pillar of our company's global diversity and inclusion strategy. We have made this commitment so that we can better meet the diverse needs of the populations and communities we live and work in. Health disparities, driven by social determinants of health, may limit access to medicines and vaccines and impact health outcomes, so we are investing in strengthening the capabilities of our people, evolving our ways of working and forging new partnerships to strengthen health care ecosystems.

We aim to address the health disparities challenge across the value chain, starting at the very beginning in research and development, where we are working to ensure our clinical trials are diverse and inclusive. Clinical trials, as you know, function as the gatekeeper to bringing effective new medicines and vaccines safely to all of our patients and communities, so it is vital that we have diverse representation in our research efforts as well. Merck is pursuing new ways, including partnerships with organizations like Black Health Matters, the National Urban League And the Lazarex Cancer Society -- Foundation, rather, to recruit and engage clinical trial participants who are racially socioeconomically and demographically representative of the diverse population we must serve. The work our company is doing to pursue inclusive market growth and equitable health impact across diverse populations creates both business and social value by driving competitive advantage for our business as well as helping to create a healthier, more equitable society.

In thinking about a more equitable society, we have to look at the level of diversity and inclusion in our workplace. I'm very proud to work at a company that has for many, many years, considered diversity and inclusion one of its top values. And I'm very proud of my colleagues and the efforts that they have made personally in investing in this area. Our long-term strategy and business performance are dependent on our continuing ability to attract and retain highly qualified people. Cultivating a diverse, inclusive and healthy workforce improves all aspects of our business and enables us to better address the needs of all stakeholders. We are committed to equity across gender, race and ethnicity as a strategy to drive business results and advance our mission. In fact, today, 43% of our company's Board of Directors are female and 29% are from underrepresented ethnic groups. We've come a long way, but we know that we have much more work to do within Merck to increase the diversity of our workforce.

To create more opportunities, we have been evaluating our hiring processes to determine where we can remove barriers. This includes ensuring our job criteria represents the skills and capabilities necessary to do the job. We have worked with our external talent suppliers to ensure that they are focused on these priorities when providing talent to our company.

Given the renewed focus on social injustice, we have also created opportunities for dialogue and reflection as to what each one of us can do to take action and drive behavior change. We are focused on making inclusion a critical employee skill through training and management support and teaching employees how to relate with each other in an open, honest and constructive way.

Our work in equity does not stop at our gates. It continues outside our 4 walls and into the underserved, underfunded and overlooked communities all over the world. Four years ago, Merck signed a pledge to join the CEO Action for Diversity and Inclusion. This commitment extends beyond our employees to supporting businesses around the world by making a difference in global economic inclusion. Our company exceeded our corporate goal of \$2 billion in spend with minority-owned, women-owned, veteran-owned, LGBT-owned and disability-owned business enterprises, which supports diverse suppliers, positively impacting the communities in which we live and work.

More recently, I became one of the founding members of OneTen, a coalition of corporate executives helping to create 1 million jobs for Black Americans over the next 10 years. OneTen is not just philanthropy. Rather, it is a commitment to ensuring that black talent with the skills and aptitude to earn success also have the opportunity, which is key, the opportunity to earn that success. Our goal is to develop a diverse and inclusive culture and to ensure the diversity of our employees mirrors the external world and our patients.

Merck has existed for 130 years, and our salient purpose in the world has been consistent: to deliver medically important vaccines and medicines that make a huge difference for humanity. Our founder, George W. Merck, famously said, "We try never to forget that medicine is for the people. It is not for the profits. The profits follow. And if we have remembered that, they have never failed to appear." The better we've remembered it, the larger they have been. Success requires moral and ethical leadership, people with vision who are guided by sound values who can make principled decisions for the greater good.

This business imperative didn't begin with me. I mentioned George W. Merck, but I can also point to one of my mentors, Merck's former CEO, Roy Vagelos, as the leading example to the bold decisions he made to ensure Merck's innovations, including Mectizan, reached those who could benefit from them the most.

And the good news is it won't end with me either. Next month, my colleague, Rob Davis, will take on the role of Chief Executive Officer of Merck. Rob is an outstanding leader who has deep knowledge of our business and our industry. As Chief Financial Officer since 2014, he has served as a

valued strategic thought partner to me and Merck senior management and certainly personifies the values and integrity that are essential for the leader of Merck.

The strength and resilience that our business, our people and our patients have shown this past year reinforce our belief that our research-focused strategy remains vitally important. By following the science and operating responsibly, Merck has delivered consistent, sustainable financial returns and created a meaningful legacy of helping society. I am proud of the accomplishments we have made to realize a better future for generations to come.

And before we move on to Q&A, I'd like to thank you again for hosting us today and for your most generous listening. Thank you.

QUESTIONS AND ANSWERS

Meg Tirrell

Well, thanks so much, Ken. It was great to get to hear from you, and we've got lots of good questions coming in, and I encourage folks to put more Q&A into the tab if you have questions for Ken.

Ken, I just want to start out by asking you a little bit about the transition that's coming up. We understand you'll be Executive Chairman for a period of time. Can you tell us how long you'll be sticking around in that role and what this transition is going to look like for folks? Also, as you kind of transition in your R&D leadership as well?

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

So I'll start by saying I will stay Executive Chairman until the Board decides that they want to move to another management structure. So that's sort of not up to me. In terms of the overall transition, it has been planned for many years. And I would say that Rob Davis and I worked very closely together enough to get to know each other as human beings, which is very important for this kind of transition, but also in terms of understanding how he sees the company's strategy going forward, how he sees the responsibilities, frankly, of a Merck CEO that I mentioned. And I think, as the new CEO, he will be empowered to make his decisions. I'll step back because he has the right to make his decisions and to do what he thinks is right based on his view of what's in the best interest of the company. Because, as you know, Meg, the industry landscape is evolving, and what it will take to succeed in the future will be different from what it's taken in the past. But I will say the good thing is that I know that Rob is dedicated to the company's mission and he's dedicated to science. So that won't change, that fundamental priority, but he will make the changes that he thinks are necessary for the company to succeed.

We also made a transition last year in research with Dean Li taking over for Roger Perlmutter. Dean was developed under Roger's careful tutelage. And I think Dean is more than prepared to take over the research labs. As I mentioned in my talk, we're very proud of the fact that we've built 3 new research facilities, underscoring our commitment to basic science. And I'm very, very confident in Merck's senior team, Rob, Dean, Caroline Litchfield, our new CFO; Frank Clyburn, who's been named President of Human Health; and the rest of the team. I think they will do a terrific job.

Meg Tirrell

All right, onto some of the questions coming in from the audience. One is about emerging markets. How is Merck looking at new business models to better meet the needs of access in emerging market segments?

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

Well, I talked a little bit about that in my introductory comments. But I would say that what we want to do is we want to make sure that we have the right, first of all, partnerships, public/private partnerships, in place where we can make a big difference in those areas where we have a great

gap between the medicines that we have in the West and the medicines that are available in some of the developing parts of the world. I talked about, for example, the approach of saying, okay, let's make sure that we can work with insurance companies and reinsurance companies to actually allow people to pay for medicines in a different way, perhaps over time, so that they can become more affordable. So there are a lot of models. But I will say that, as it relates to the emerging markets, Merck has always had this commitment of trying to make as much of its medicines available in those markets as it possibly can.

Meg Tirrell

We've got a question also about patents as they've come up in the context of COVID. What impact made the current policy debate on patents in the context of the COVID pandemic have on the future of the industry?

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

I think that this is a very important issue. And when I first came to Merck, we were working on a drug called CRIVAN, which -- and when added to the standard of care, knock down the HIV virus so that people could live longer. And there was the same discussion back then about if we didn't have these patents, the HIV medicines would be made available all around the world. I think what we've now seen is that people have continued to invest to make better and better medicines. And I think we have to worry that if we actually strike down patents, that we won't get the capital in this industry to continue to invest. And we're so glad that we have today's HIV medicines, that we're not still operating on the medicines of the early 1990s. I think the same is true with COVID. As we see the development of variants and things of that nature, we want to continue to invest in that area.

I also think it's very important, particularly in the area of vaccines, to recognize that the challenge is really a manufacturing one, not an IP one. And I think it's really important to recognize the complexity, the art and science, so to speak, around vaccine manufacturing. So if you actually abrogate patents, you don't actually create the ability of anyone to manufacture those things right away. And then the last comment I'll make is, I think right now we see that there's a shortage of raw ingredients that goes into manufacturing of these vaccines and other products. So I think the best approach is for industry to continue to show its ability and willingness to do things like we did with molnupiravir, which is to provide voluntary licenses to those companies that have the capability to manufacture. As you know, GMP manufacturing is pretty complex in the United States. And we want to make sure that if we're going to have these vaccines manufactured around the world that they're manufactured up to the quality standards that are appropriate.

Meg Tirrell

Well to that point, I wonder if you could illuminate for us a little bit just the process of Merck helping manufacture the J&J vaccine and the fact that you have to build up all of this new infrastructure. And I wonder how -- could you walk us through just the time that, that takes for 2 experienced companies in this to really accomplish that? But then also what will this facility do in the future in terms of will it be used for pandemic preparedness? Will it be used for Merck vaccines? And how do you look at our ability to pivot quickly and be prepared if another bug like this comes around?

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

So let me start by saying, to the first point that you made, it really does underscore the point I made about patents. We are 2 highly experienced companies. And yet, for Merck, this adenovirus vaccine is something we have no prior experience with. So it's going to take some time to convert 2 vaccine facilities, 1 in West Point, Pennsylvania, 1 in Durham, North Carolina, to be able to manufacture the J&J vaccines. It's a nontrivial thing to change those facilities to make them capable in manufacturing at GMP standards. We're committed to doing it. We're committed to doing it this year, next year and at least through 2023, so that we can make the single-shot vaccine available.

I think the other issue about future pandemics really gets to another point, which is that as a society we need to be prepared for the next pandemic. And it's not just a question of whether Merck sort of mothballs a facility for the next pandemic. It's about making sure that we invest in the kinds

of facilities that can be rapidly adjusted when we have a different pandemic. Because unfortunately, I don't think any of us believe this is the last pandemic we're going to see. So I would say that I think that we do need to do that. It is not easy to convert our facility. But as a company, we're very committed to working with J&J to help bring their magnificent scientific accomplishment of a single-dose vaccine to as many people as possible.

Meg Tirrell

Switching topics a little bit, a question about the potential impact of the new U.S. administration on ESG. What do you expect to see going forward? And what could this mean for how these issues are managed?

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

Well, I think that the new administration is obviously very focused on these kinds of ESG issues. I think we're seeing increased interest, not just from government, but from the investor community on the same thing. We've witnessed significant action on climate with Biden, President Biden joining the Paris accord very quickly. There's also been stronger interest in the S specifically related to things like racial equality, worker protection, other human capital issues. He's also coming into office, President Biden, amid a greater focus on global standardization of ESG disclosures. So I think we can continue to see increased focus by the government on ESG. It will increase expectation for U.S. companies in terms of reporting and disclosure, but also in terms of the actual progress we make in these areas. But I would just make the point that as everyone understands, it's not just a government that's focused on ESG. Investors are focused on ESG. And importantly, the employees that we're trying to recruit are very focused on this issue, too.

Meg Tirrell

In terms of the perception of the industry, I think that it sort of plays a role in this as well. How has that changed, do you think, with the pandemic, seeing the vitalness of what the industry does? Do you think there will be long-lasting impacts of that? At the same time, as you're also seeing people breaking down how much money all the companies are making from these vaccines and, in some cases, even the executives themselves. So there still seems to be this tension. And of course, with the patent issue, too. How do you think the reputation of the industry will be impacted?

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

So I think that, first of all, I hope that -- before we get to the reputation of the industry, I hope that people more readily understand the connection, as I mentioned in President Lincoln's quote with -- President Lincoln is the only U.S. president to actually hold a patent. But he understood this connection between investment on the one hand and ingenuity on the other hand. Ingenuity without investment doesn't do anything. And so I think that what I hope people really understand is how much investment investors in this industry made in fighting this virus and the need to have a sustainable, vital industry for the next thing. So I think that's the first point.

In terms of the industry's reputation, I've seen opinion surveys that say that it has increased the popularity of the industry or the acceptance of the industry. That's a positive thing. I worry that it's ephemeral. Because until we solve some of these fundamental issues around access and affordability, I think we'll always have this challenge. And it gets to your point about profits and people. People actually have very mixed feelings about whether this business, whether this industry should be able to make profits and certainly whether it should be able to make certain kinds of profits.

I think that this will continue to be a challenge. And I think the most important thing is for the industry to do what we're trying to do with J&J. I mean this was not our vaccine. And we've taken 2 facilities that we could devote to Merck vaccines, and we're saying we're going to devote them to getting one-shot vaccines around the world. I think if the industry continues to come together, pool its talents, its capabilities and its resources, for the benefit of mankind around the world, of humankind around the world, I think we might have a chance to have this be a sustained positive impact. But if people around the world -- I think it was greater in the United States, when we got these vaccines to as many people as who wanted

them, that was a good first step, but there's 7.5 billion people in the world today. And the industry has to show its willingness to meet their needs, too.

Meg Tirrell

I wonder your takeaways from Merck's role in the pandemic in terms of the vaccines didn't work out. I don't know if you're still pursuing those to some degree or not. You are working on the molnupiravir drug. Do you think that does Merck need to invest in mRNA, for example, as a result of the lessons learned from the pandemic? Or how do you reflect on just the role that the company played here?

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

So let me start by saying, personally, I felt, of course, very disappointed that our vaccines didn't work. The way that I think about that is that I think if you go back to the earlier times, I think most companies were trying to exploit the technologies that they understood the most. And in Merck's case, we've had tremendous success in the past with viral-replicating vaccines. So we tended to go in the direction that we know. It's very clear that at least for single-strand DNA viruses like COVID-19, these mRNA vaccines are fabulous vaccines, that they produce great outcomes. So I think going forward, we have to look at that platform as well as other platforms and vaccines and biologics research to make sure that we're at the cutting edge of where we need to be to be a competitive company.

But I think the other lesson from all this, be it on my own personal disappointment, is that there's so much serendipity in science today and it confounds people. And so it was a disappointment. But at the same time, we're going to continue looking for opportunities to contribute in the future, including molnupiravir. And we haven't given up thinking about the potential of other vaccines. I don't think the first generation of vaccines are necessarily the only vaccines the world will need.

Meg Tirrell

Well, that's where we'll end. Winding down to our last couple of minutes, I want to ask you, you mentioned to me on the day that your retirement was announced that when you took the CEO job, Roy Vagelos told you there were 2 metrics that really mattered in the CEO role at Merck. How much -- how many people did you help and how much did you help them? You told me you feel like you did all right on those two. What's your piece of advice for Rob Davis as you hand over the helm of Merck?

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

Well, I'll give him pretty much the same advice that I've gotten from Dick Clark, who is my predecessor. And that is don't underestimate the ability of Merck people to make a big difference in the world. And you've got lots of stakeholders who are pulling you in lots of different directions. But I think what the -- what Roy Vagelos was saying when he said, those are the 2 metrics. He was reminding us that, fundamentally, this business is about translating cutting-edge science into medically important products that make a huge difference for people. And if we do that, then we become a much more successful company. So my advice to him or any other new CEO is never to accept the pressure from the outside that makes you think for a minute that there's a dichotomy between financial results and societal results. So those 2 things come together. And if you can achieve both of them, and I believe you can, that's what makes the company sustainable.

Meg Tirrell

All right. That's a good note to end on. Ken Frazier, we appreciate it. This was great.

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

Meg, it's always a pleasure being with you.

Meg Tirrell

All right. And thanks to everybody out there. Stick around. There will be another session that will begin momentarily. Just watch for the pop-up on your screen. Thanks again.

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

Bye.

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