

THE ECONOMIC CLUB

O F W A S H I N G T O N, D. C.

Virtual Signature Event

Kenneth C. Frazier
Chairman of the Board and Chief Executive Officer
Merck & Co., Inc.

David M. Rubenstein
President
The Economic Club of Washington, D.C.

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ANNOUNCER: Please welcome David Rubenstein, President of The Economic Club of Washington, D.C.

DAVID M. RUBENSTEIN: Good afternoon, everybody. I am pleased to be with you today with our special guest. This is our 14th virtual signature event of our 35th season. Our special guest today is Ken Frazier, who's the chairman of the board and chief executive officer of Merck, one of the leading pharmaceutical companies in the world. And we're going to talk today about Merck's involvement in COVID, other related issues relating to global health care, and Ken's involvement in OneTen's mission to increase racial equity by providing economic opportunities for Black Americans.

Let me introduce Ken Frazier, and then we'll go into an interview with Ken. Ken is a native of Philadelphia. He graduated from Penn State, where he did his undergraduate work, and then graduated from Harvard Law School. He joined a firm in Philadelphia, Drinker, Biddle & Reath, and rose up to be a partner there. While also a partner he did a number of pro bono cases in the death penalty area and won some notable cases there.

He then also later did some work for Merck and was so impressive to the people at Merck that they offered a job to him to join Merck. He joined as the general counsel public affairs in 1992, became the overall senior general counsel in 1999, in 2006 became the executive vice president, in 2010 the president, 2011 the CEO and at the end of 2011 also the chairman. The position he currently holds is chairman and CEO.

Ken is an extraordinarily gifted executive. At Merck, since he's been there, the stock price is up 108 percent, as the CEO. And in his role as CEO, the market cap is up 71 percent. He's also been deeply involved in a lot of nonprofit philanthropic activities. He's a member of the board of Cornell Weill Hospital. Very involved, as well, in the American Academy of Arts and Sciences and its Civil Justice Project, and a number of other projects in the Philadelphia area relating to scholarships and other mentoring projects.

Ken, thank you very much for giving us your time.

KENNETH C. FRAZIER: David, I'm glad to be here.

MR. RUBENSTEIN: So, Ken, you've recently announced, to the surprise of some people – at least maybe me – that you were stepping down at the end of June. You've had a very successful run as the CEO of Merck. Why would you want to step down at the height of, you know, your powers at Merck?

MR. FRAZIER: So let me start by saying what's really true, which is I'm stepping down because my wife, she who must be obeyed, thinks it's time for me to step down. And that's the main reason. The other reason, though, is that I do believe in term limits. And you know, I've been in this job for 10 years. And I think any idea that has not occurred to me in the first 10 years is probably not worth pursuing. In fact, it's probably mischief. So it seems to me the right time to step down and to let the next generation of senior management take its place. And we have talented people. The CEO who will be following me, Rob Davis, is a thoughtful person

who has deep knowledge of the company and the industry, is a very good strategic thinker and, most importantly, personifies the values and integrity that I think are essential for a leader of Merck.

MR. RUBENSTEIN: So were a lot of your friends surprised by your decision?

MR. FRAZIER: Not really, because people who know me know that frankly – you mentioned that I'm a lawyer. And that most of my friends know that at some point I want to go back to some kind of public service. I never had the intention of becoming a CEO. I have never had the intention of even joining a company like Merck. So I think my friends who know me well know that I want to get on to the next chapter.

MR. RUBENSTEIN: OK. Well, there's a new administration, the Biden administration. And I assume you've met President Biden from time to time.

MR. FRAZIER: Yes.

MR. RUBENSTEIN: Any interest in serving in that administration?

MR. FRAZIER: Well, let me start by saying the administration has no interest in having me serve in it, and they're doing quite well without my help. I don't think that I would be particularly good at any political job. I'm interested in public service, but not necessarily public office or government service. So in the long run I just want to make sure that I can help deal with some of the challenges that we're all facing in this country.

MR. RUBENSTEIN: OK. Well, there is a Senate seat that might be up in a couple years. You're not likely to be running for that, you think, either?

MR. FRAZIER: Yeah, I'm very unlikely to be able to run for that seat. Again, politics with a capital P is not my thing. [Laughs.]

MR. RUBENSTEIN: OK. Let's talk about the business you've been in for quite some time, and let's talk about Merck. Merck announced recently that it was discontinuing its efforts to produce its own vaccine. Why did you announce that and what was the problem with the vaccines that you were developing?

MR. FRAZIER: So I think the first point is it really does demonstrate what a risk-filled business model means, that the pharmaceutical companies have, because the vast majority of the things that we start and think are good ideas never make it to the market. In this specific situation, we discontinued the development of our two vaccine candidates following the review of our phase one clinical studies, which showed that the vaccines were generally well tolerated, but the immune responses were inferior to those seen following some of the other vaccines.

And I must say, we're very fortunate with the vaccines that have come to market so far – the messenger RNA vaccines, soon to be the Johnson & Johnson vaccine. The level of immunogenicity and protection that those vaccines provide is at the high end of anything that

anyone would have expected. And so for Merck, the question is: How can we make the biggest contribution in terms of vaccine protection? We have the ability in our production capabilities to actually manufacture vaccines at scale. And we're talking to other companies to see how we can support the production of their vaccines rather than bring forward vaccines that might make some difference but didn't come close to the level of protection that the first three vaccines will provide.

MR. RUBENSTEIN: Now, the vaccines that are on the market now for COVID are called, I guess, synthetic vaccines or messenger RNA vaccines. They're different than the traditional vaccines that someone like Merck might have made. Is that a technology you will pursue in the future for other vaccines, or are you going to stay with your traditional vaccine technologies?

MR. FRAZIER: No, I think that if we're going to be successful as a company we have to continue to go up the learning curve. I think in this particular situation the mRNA vaccines have shown that they can be developed quickly. You've seen, they've developed, you know, responses to certain variants. I think it's part of drug discovery and vaccine discovery going forward. So it's something that's going to have to be in our toolbox, mRNA.

MR. RUBENSTEIN: OK. So right now you are one of the larger manufacturers of vaccines in the world, leaving this one aside. What are the major vaccines that you actually have – or major viruses you have vaccines for now?

MR. FRAZIER: I would say the biggest vaccine that we have in terms of dollar share is our human papillomavirus vaccine, GARDASIL 9, which has now been shown in studies around the world that if you vaccinate a whole population of young women, you can almost eliminate cervical cancer, because HPV is the main cause of cervical cancer among women. Of course, it also provides protection for boys against different kinds of cancers – mouth cancers, throat cancers, anal cancers, things of that nature. So that's our biggest vaccine.

The one that I think most people know, though, is our MMR2 vaccine, which we give to every child, essentially. Measles, mumps, rubella vaccine. That's another big vaccine. Our pneumococcal pneumonia vaccine is another one. We have a whole number of vaccines. In fact, I think the average American child gets 17 mandatory vaccines, and I think we make 13 of the 17.

MR. RUBENSTEIN: Now, there are some people who say these vaccines cause autism or things like that. Is there any evidence of that, in your view?

MR. FRAZIER: No. In fact, there's strong evidence to the contrary, David. There have been many studies that show that these vaccines are not causally related to autism. It continues to be a challenge, particularly on social media. And we have to continue to fight against that. Some of it is propagated by, you know, an organized anti-vaccine movement. But a lot of it is just misinformation. And a lot of the challenges with technology is it's done a lot of great things for us, but the dark side of that is misinformation, hate speech, and things like that, that challenge the fundamentals of our democracy.

MR. RUBENSTEIN: So let's talk about the vaccines that are out there now. We don't seem to have enough vaccines for the population. Why do you think that the government of the United States or the companies that did have a successful vaccine didn't produce more vaccines earlier?

MR. FRAZIER: Well, I have to say, first of all, the pharmaceutical industry's coming from a standing start. Remember it was almost a year ago when we first sequenced this new virus. The fact that we have as many vaccines as quickly as we do is a miracle. So the question is, from my perspective, how are we going to improve the distribution of those vaccines? And to make the obvious point, it's not vaccines that protect people. It's vaccination that protects people. And so we're now dealing with the challenge of getting these vaccines, storing them, distributing them, administering them, getting the shots into people's arms. I know that there will be many, many more doses when J&J comes to the market with their vaccine. So I think by midsummer I think everybody in this country who wants a vaccine will have a vaccine. But we got to remember, this is a global crisis not just a U.S. crisis.

MR. RUBENSTEIN: Have you been vaccinated?

MR. FRAZIER: Yes. I'm very fortunate. I've gotten two shots already. And I'm feeling much more secure. But I'm still wearing my mask everywhere I go.

MR. RUBENSTEIN: OK. Now what about therapeutics? Is Merck involved with any therapeutics relating to COVID-19?

MR. FRAZIER: Absolutely. We have going two important therapeutics that we think can make a meaningful contribution to this pandemic. And so the first one is an oral therapeutic that we're working in collaboration with a company called Ridgeback Bio. The drug is called molnupiravir. It's currently being evaluated in phase two and three clinical trials both in the hospital and outpatient settings. And the goal for that drug is to be able to take that drug early in the disease process, early in the infection process, or perhaps even when people are exposed to people who have the disease – like, say, in a nursing home setting – to prevent the disease from continuing down its normal course.

What the drug does is it knocks down the virus, as you might expect from an antiviral. And since the disease itself is virus mediated we are hoping that that therapeutic will be a – you know, a serious contributor. There's another drug that we're developing that we call MK-7110. It's a potentially first in class investigational recombinant fusion protein that literally modulates the inflammatory response in the lungs. As you know, many people who die or have serious illness from COVID-19 have severe respiratory failure that's based on inflammation in their lungs. And this drug is really targeted at reducing that inflammatory response to the virus.

MR. RUBENSTEIN: So the pharmaceutical industry, I think it's fair to say, is not beloved by the general public. In general very often the pharmaceutical industry is seen as price gouging, to use a phrase that others have used. Why do you think the image of the pharmaceutical industry is not wonderful? And do you think it'll improve any bit because of the vaccines that have now been developed for this COVID-19 virus?

MR. FRAZIER: Well, I've seen public opinion surveys that suggest that the industry's reputation has gone up as people have developed a greater understanding and appreciation for the importance and the tremendous investments in science that have been made over a long period of time that have made these quick vaccines and therapeutics available for COVID-19. I think they also see the industry working to try to help people, which I think is a positive thing. But there is the issue about drug pricing, of course. That's a huge issue. And I think that the challenge that we face is we need to better align the incentives in the system to lower patient out-of-pocket cost.

For instance, most people don't know that a company like Merck, we pay 45 percent of our gross sales back into the distribution channel as rebates. But very little if any of that money gets passed onto the consumer at the pharmacy counter. So we have to deal with those kinds of issues. We have to also look at how insurance benefits are structured. So if you get in-network work at a hospital or a doctor's office, generally speaking you're going to pay around 3-4 percent of the lower price that's negotiated between the insurance company and the provider.

With pharmaceuticals, by contrast, often people are paying 13 percent not of the net price – remember, we are giving a 45 percent discount in effect – but of the list price. So you have people paying a greater percentage of a higher number for pharmaceuticals. I'm not taking the position, by the way, that the industry itself doesn't have to do things around ensuring that its products are more affordable. But I also think it's a complex economic system that if we don't actually fix and align the incentives that actually in the system rewards certain middlemen for higher price drugs – because they make a percentage of the list price – then we're really going to have a challenge getting these drugs to people who need them but can't afford them.

MR. RUBENSTEIN: Now, in the pharmaceutical industry you have two ways, as I understand it, to get new drugs. You can buy a smaller company that has already produced a drug, or on its way to producing a drug. Or you can develop it in your own labs. Which way does Merck tend to use more?

MR. FRAZIER: Well, we tend to use both. But I would say that we think of ourselves fundamentally as a discovery house. We do a lot of basic science at Merck. In fact, one of the things that, when I look back on my tenure, that I will be most proud of is that we've built three new basic discovery laboratories in the last few years – one in south San Francisco, one in Cambridge, Massachusetts, one in London, U.K. You might notice that we're putting them in cosmopolitan places that are full of really bright, young people, because that's obviously what you need to do.

But we do spend a lot of our money and effort and time on basic discovery inside Merck. But at the same time, I don't think any company of our size and of our sales base can hope to develop enough drugs internally to actually continue to grow. I mean, we have about a \$50 billion sales base. So we're going to have to both bring in the best outside science while also developing internal science.

MR. RUBENSTEIN: And do you think the reward is sufficient for people who develop a drug? I think you have a 20-year patent, or something like that? Is that adequate or is that not adequate?

MR. FRAZIER: I think it is adequate. But I do think that the challenge that's facing the industry is that the cost of bringing a new drug to market continues to increase. At the same time, the period of, let's call it, market exclusivity, before fast followers make it into the market, is shortening. So it's much harder to make back your cost of capital in the industry than it was 25-30 years ago. And at the same time, I continue to believe that only those companies that bring forward really important, innovative new medicines will survive.

MR. RUBENSTEIN: So when you market a product, you don't do what some consumer companies do. You say it's Merck, and then you have a brand name for the drug, or whatever it might be, it doesn't necessarily say it's a Merck product. So what is your most important product now, your biggest revenue gainer right now? Is that a cancer dealing drug? Can you describe what it is and how you developed that drug?

MR. FRAZIER: Yes. The name of the drug is KEYTRUDA. It is right now the only drug that Merck advertises. I hope people notice that our advertisements are very sober. They are shot in black and white. They're not dramatic. But KEYTRUDA's actually a drug that's been proven to be useful against 16 different tumor types – 16 types of malignant disease. And it's just a foundational drug. It is the first broad-spectrum agent – anti-cancer agent introduced into clinical practice. And it continues to be useful across a number of categories of malignant disease.

I'll just point to non-small cell lung cancer, which is probably the most prevalent form of cancer. We've been able to demonstrate that if you add KEYTRUDA to chemotherapy for newly diagnosed patients you can reduce the risk of death by 50 percent. That's a big deal. About 180,000 people a year are newly diagnosed in this country with non-small cell lung cancer that are eligible for KEYTRUDA. So to reduce it by half is a huge amount of benefit, and avoidance of a lot of suffering.

MR. RUBENSTEIN: But in that drug, did you develop it internally? Did you buy the company that developed it?

MR. FRAZIER: In that case this was an example of us having purchased a company that had the drug in early discovery. The drug sat on the shelf for a while. Merck recognized its potential. And Merck did the entire development. So the discovery was done elsewhere, but the clinical development, the regulatory, all that work was done inside Merck.

MR. RUBENSTEIN: And in light of what happened in COVID-19, do you think if we came down with another pandemic the health care and pharmaceutical industry would do anything differently? What have you learned in the pharmaceutical industry that you might do differently if another pandemic came along?

MR. FRAZIER: What I hope all of us have learned is the importance of long-term investments in the research and development that's necessary for preparing for this kind of disease. Let me go back for a while, and just after 9/11 remember when there was anthrax and those kinds of concerns. The Bush administration was very much worried about biodefense. And so for a

period of time the administration was working with the industry to try to defend against those kinds of bioterrorist threats. That sort of went away.

And I think the challenge that we face is that if we're not hit with a pandemic – when Ebola came, there was a whole lot of focus on Ebola. And then it went away. Now we're focusing on SARS-CoV-2. This is not the last viral infection we're going to have. In 2050, let me just make this example, more people are going to die from resistant forms of bacteria than are going to die from climate change in the world. But yet, we don't invest in antibiotic research. So I think the lesson that we have to learn is that we have to be able to redirect resources in our society to things that won't necessarily be of benefit tomorrow but will prepare us for this battle that's going on between microbes and man is going to go on for a long time. And it's not clear to me that we will always triumph over the microbes.

MR. RUBENSTEIN: So let's talk about your background a moment. Did you grow up in a reasonably wealthy Philadelphia family?

MR. FRAZIER: No. We were one of those people that you saw in The Philadelphia Story. We were from – I was born and raised in North Philadelphia, which is the – now it was referred to as an inner-city neighborhood. Back then it was referred to as a ghetto. That was the parlance in the 1960s. And I come from a very humble background. My father had three years of what passed for an education for a Black child growing up in South Carolina in the early part of the 20th century. He was a janitor. He raised nine children. But I have to say significantly, back then being a janitor for a company like United Parcel Service, he was paid a living wage, and he was able to raise his family and pay a mortgage and have a used car. So we were poor compared to other people, but I can't say I ever felt poor growing up.

MR. RUBENSTEIN: So you had eight siblings?

MR. FRAZIER: I have eight half-siblings and whole siblings. I have three whole siblings, and the rest were my father's children by a previous marriage.

MR. RUBENSTEIN: So you must have worn a lot of hand-me-downs, or not?

MR. FRAZIER: Absolutely. You know, I think I was just about ready to go to college before I wore something that was a new suit or a new pair of pants because my next-oldest sibling is my brother Bobby, who's a year and a half older than me. And just as he outgrew things, I grew into them. [Laughs.]

MR. RUBENSTEIN: So how did you afford Penn State?

MR. FRAZIER: Well, Penn State's always an interesting one. When I was in school I was skipped a couple of times and was actually supposed to go to the military academy at West Point. And I remember after my father and our local congressman decided this would be a great honor for our family – this was during the Vietnam War. We're talking about 1970 now. I got a letter from the commandant. And the letter said: Mr. Frazier, upon reviewing your records we realized that you are 15. And so you can't be inducted into the Army.

And then I went to my dad and – my mother had passed away. I went to my dad and said: It's really not worth two years of finishing school just to go to Vietnam. And he agreed. And said: OK, pick the college that you want to go to. At that point, Penn State had a record 35 or 36 consecutive football games that they had won. And that became the basis of my choice. And I was fortunate to get a full scholarship, so my parents didn't have to pay anything.

MR. RUBENSTEIN: OK. And Harvard Law School? How did you pay for Harvard Law School?

MR. FRAZIER: Exactly the same way. I felt like I was – I came along at a time when our society was investing in poor kids like me. And you know, frankly, the only reason I'm having this conversation with you, David, is that I was treated in an exceptional way for a Black child growing up in the inner city, even exceptional compared to my older siblings. My younger sister and I, the two youngest in the birth order, came along at a time when society was making opportunity available for kids like me.

MR. RUBENSTEIN: So you practiced law in Philadelphia for a while, and you became a partner. But what got you so interested in death penalty cases? And what did you try to do there? And what – did the other partners say you're spending time on non-profitmaking things?

MR. FRAZIER: Yes. That's exactly the case. So I went to law school, maybe you did too, David, not knowing that there were large law firms that represented corporate clients. I went to law school because I wanted to fight for justice. My hero was Thurgood Marshall. That was my exemplar. And I had the opportunity to work for Bill Coleman – the late Bill Coleman, who was an author of the Brown brief. And so I was always a person that thought that the reason why you had a law degree was to go out and do justice.

And on this particular death penalty litigation, I learned after I was a lawyer that while under the Constitution a person is afforded a counsel at trial, and for the first appeal. Thereafter, there is no right to counsel. So you have people on death row who are facing a sentence of death who don't have any representation. And so I got involved as a young lawyer in some cases. I would say, if I could just skip ahead, the case that I like to remember the most is a case that I got where I had a gentlemen who was a couple of weeks away from his execution date.

I met him for the first time in the State Penitentiary of Alabama, where he had been for, like, 10 years at that point. And he turned out to be innocent. He turned out to be innocent of the crime. And so we were able to first get the federal court to give us habeas corpus on the death penalty itself, a new trial on the penalty. Then we got a new trial on guilt and innocence. And we were able to demonstrate very quickly – in fact, the jury the second time in his case, after he had spent 19 years on death row in Alabama, the second time when he was tried with competent counsel, with all the evidence being put in front of the jury, the jury was out for less than an hour.

And on the chalkboard they wrote: Not enough evidence. So that really goes to a point that we have in this country where there are a lot of people who are under sentence of death who

are not represented. And I don't think we can say that the system – and I know I'm going on too long, David, so I apologize – I guess I have to back up. I'm not an anti-death person from an abolition standpoint. I'm focused on the administration of justice. And my philosophy is that if you are going to have a death penalty you would demand of the system a certainty that the system that we have today is not at all designed to produce.

MR. RUBENSTEIN: So your partners at your law firm, did they say, well, you're spending too much time on this effort and maybe you should not do that?

MR. FRAZIER: Absolutely. Some of them did. But I picked the firm that I went to because it had a history of doing important pro bono work. And one of the partners that I worked under was very famous for bringing some important cases about public prayer in school, aid to parochial school. Those were very important, seminal First Amendment cases. And so I was fortunate to work for lawyers like him and Bill Coleman, who thought a lawyer's job was to serve the public, not just to bill people. So, yes, there were partners who said that.

But I must also say that I ended up doing a lot of work for tobacco companies. And one of the stories I tell is that I had certain partners who would look at my tobacco clients and say, God, how can you represent them? Others would look at my death row clients and say, God, how could you represent them? And I would say to all of them, the answer is because I'm a lawyer, stupid.

MR. RUBENSTEIN: So how did you get involved with Merck?

MR. FRAZIER: Well, I represented Merck too. I did a lot of work for Merck. I did a lot of jury trial work for Merck, particularly on vaccines. And I got to know the general counsel, who introduced me to the then-CEO of Merck, a great CEO named Dr. Roy Vagelos, who hired me at the beginning of the Clinton administration when, as you might recall, the Clinton administration was going to take on health care. We called it Hillarycare, not Obamacare back in those days. And he hired me out of the law firm because, in part, he wanted to have someone who could be a good spokesperson. And I guess he decided that lawyer-speak is OK.

MR. RUBENSTEIN: So when you joined were there a lot of African Americans at Merck?

MR. FRAZIER: There were not. And I was the first Black vice president in the company. And it was absolutely clear to all my colleagues that Dr. Vagelos hired me, in part, because he wanted to have a diverse senior team. And that raised some real challenges that I had coming into the company at the time.

MR. RUBENSTEIN: So as you rose up over the years and became the CEO, did you actually think you could be the CEO when you first joined? Was that ever in your mind?

MR. FRAZIER: Never. And in fact, I talked several times about the CEO who hired me, Roy Vagelos. He did a bait and switch. He hired me as a lawyer. But shortly upon arrival, after arriving, he called me into his office and said: I'd like to move you out of the legal department and into the business. And I remember saying, I'd like to contribute to Merck in my discipline,

the law. He said, that's the most ridiculous thing I've ever heard. You need to go into the business, and you need to learn the business. And had I not been forced out of my comfort zone, and had I not been given day-to-day access to a great CEO, I would never be CEO, David, because on my best day at Merck I'm simply imitating Roy Vagelos. [Laughs.]

MR. RUBENSTEIN: So as you rose up and became the CEO, and you looked around the Fortune 500, did you see a lot of African American CEOs?

MR. FRAZIER: Oh, absolutely not. I mean, I think today there are four African American CEOs. Two of us have declared our intention to retire. And then Roz Brewer is going to become the new CEO of Walgreens. So there'll be three out of the Fortune 500 which, I have to say, if you'd gone back 25 years and looked at that, even the most pessimistic person would have thought we would have more than 1 percent of the Fortune 500 CEOs being of African American descent.

MR. RUBENSTEIN: And do you see any hope for improvement down the road, or you think it's basically going to be stable where it is now for a while?

MR. FRAZIER: I have – so I'm an optimist by nature. And I think that in our country right now we're starting – as we just heard in the conversation before I came on – we're starting to have a greater awareness of the challenges that are associated with race – particularly, I have to say, the challenges that are associated with the legacy of this country around slavery and the legacy of our country around the beliefs that gave rise – the pernicious beliefs that gave rise to slavery. And I think that people are starting to challenge themselves. They're looking for more intentionality. And that gives me optimism that we'll do better.

MR. RUBENSTEIN: So today you are involved with a number of nonprofit projects. One of them is something I mentioned earlier, the civil justice effort of the American Academy of Arts and Science. You co-chaired its commission on that. What is the problem with civil justice? What is the need to correct there?

MR. FRAZIER: Well, you know, again, you know, we're a country that has certain values. We believe in the rule of law. And emblazoned across the Supreme Court's façade is this concept of equal justice under law. That's something that we believe. It's one of the sacred creeds of our country. But what people don't realize is that for poor people, they often don't have access to a lawyer who can vindicate their basic rights. We talked about criminal people – criminal people accused of felonies being given counsel.

But you can face existential civil issues and not be given a lawyer, and not be able to afford a lawyer. So you can be thrown out of your house in the middle of the winter. You can have your children taken away from you, lose custody of your children. You can lose basic government benefits if you're not represented by counsel. And there are so many people who are in need of lawyers who are not given lawyers, such that this concept of equal justice under the law – while it has enormous rhetorical appeal – is very far from the truth in our country.

MR. RUBENSTEIN: So let's talk about another area you've been involved with. You created an organization that's designed to increase the level of Black employment. Can you explain what that is, and how that's going?

MR. FRAZIER: Yes. The name of the organization is OneTen. And I co-chair it with Ginni Rometty of IBM. And it was something that came about this past summer in the wake of the tragic George Floyd killing, where, again, I get great optimism because I see people in our country really asking themselves fundamental questions about race and equity. And a number of CEOs said: Well, what should the business community do? And some of us, you know, Ken Chenault, former CEO of American Express, Charles Phillips of Infor, Kevin Sharer of Amgen and I got our heads together. And we said: You know, the thing that's in the wheelhouse of corporate America is employing people.

The challenge we have, David, is that for many companies they almost by default require a four-year degree for almost any job – irrespective of whether that four-year degree is really required in terms of the skill sets that are necessary to do the job. And the challenge is that creates a structural barrier to many African Americans because almost 80 percent of African Americans at age 26 don't have a four-year degree. And so what we've been asking companies to do – and there are about 42 companies that have put up seed capital of over \$100 million – is let's reexamine our job requisitions. Let's reexamine how we look at people and ask ourselves whether or not we should be having skills-based hiring versus credentials-based hiring.

And how can we bring those people in and give people an opportunity for upward mobility? The challenge in Black America is this intergenerational poverty, this intergenerational lack of jobs that has led to so many pathologies in the Black community.

MR. RUBENSTEIN: So today, as you – what's the success rate so far of that effort?

MR. FRAZIER: Well, we've just started. It's just getting off the ground. But many of these companies have been doing this for years. So I'll give Ginni a pat on the back here, at IBM, she's been trying to do this in her own company. The problem is, if you don't get a bunch of companies to create demand you can't do this at scale. And that's what OneTen is about, doing it at scale. It's not that some of these companies have not been able to do this. And Ginni has hired a number of people out of high school who've come into IBM, done jobs, gotten a college degree. And she's proud now that she has not only graduated her first Ph.D. through that program, but she now has her first medical student in that program.

So you know, I'll just make one more comment about this. You know, my wife and I spent a lot of money sending our oldest daughter to University of Pennsylvania, where she got a degree in computer engineering, and then went to work for Google. And, lo and behold, she was surrounded by all these coders, these young men – by and large they were young men, who learned to code in their parent's garage or basement. And we think of those people as being brilliant, right? We have people who are – you know, people like a Mark Zuckerberg or even a Bill Gates, who didn't have a four-year degree. We don't think that has anything to do with their capability. And I think we've got to find opportunities for people who have the desire to succeed but don't have those credentials.

MR. RUBENSTEIN: So as you've been managing the company, have you been managing the company through COVID remotely? Have you gone into the office, or you haven't gone into the office to manage your company?

MR. FRAZIER: So I go into the office around three or four days a week. Our office workforce largely is working from home. But the nature of the business that we run is that our researchers and our production folks have to come to work. And frankly, in the midst of COVID, Merck's ability to provide consistent deliveries of its products have actually gone up due to the commitment of our people – you know, our ability to meet customer orders has gone up. So I feel like if there are people who come to work every day who have to manufacture things or do research, the CEO ought to show up and be seen in the cafeteria too.

MR. RUBENSTEIN: And so how do you think business – the business world will change after COVID? Will more and more people want to work remotely? And will companies like Merck say, yes, you can spend a couple days at home on a permanent basis?

MR. FRAZIER: I think that the workplace will never be the same because of COVID. But I'm not so sure that we don't need people to come into the workplace. I think issues around collaboration and innovation are important for people to be around each other. I particularly worry about all the young people that we hire who have no sense of attachment to the company and who can't be mentored. I talked about how I was mentored by the CEO of Merck. Well, that was because I worked next to him. I was in his office all the time. I got to know him. He got to know me. And I don't think that two-dimensional conversations, like the ones we're having right now, will replace the ability of people to be mentored and to be made a part of the corporate culture at a distance.

MR. RUBENSTEIN: So if somebody's watching you, says: I want to be like Ken Frazier. I want to be a CEO; I want to be a community leader. What are the attributes that you would recommend to somebody to perfect if they're going to rise up, as you did?

MR. FRAZIER: Well, I'll say a couple of things. So first of all, I feel extremely lucky to be where I am. So I don't feel like I can give people advice from the perspective that I knew this was going to happen to me. But I will say a few things. I do think, first of all, people who want to be autonomous have an opportunity to do things that people who are not comfortable being autonomous with won't be able to do. Let me say it another way. Taking risk is important. And if you're willing to take risk, you have opportunities that people who are afraid to fail don't have.

I think the other issue that I would raise, frankly, and this is what I love about going to work at Merck, is if you really believe in the organization's sense of purpose – and that's how I felt as a lawyer doing death penalty cases – if you believe that there's sense of purpose that is larger than yourself, then you work very hard at it. You give a lot of discretionary effort. And it doesn't feel like work.

MR. RUBENSTEIN: So any regrets as you look back? Do you wish you had gone into private equity, or something important like that?

MR. FRAZIER: Well, you know, all my heroes are in private equity. But I think for me having gone to work for a company like Merck, that actually is committed to alleviating suffering, was the most wonderful thing that I could have done.

MR. RUBENSTEIN: Ken, you've been a role model for many people. And I want to thank you for giving us time today. And appreciate your efforts on behalf of everybody in trying to deal with the COVID-19 situation. And best of luck as you figure out what you want to do for the next third of your career, OK?

MR. FRAZIER: All right. Well, David, thank you. I just want to say, it was an honor to speak to The Economic Club of Washington. Thank you.

MR. RUBENSTEIN: Thank you very much. Bye.

MR. FRAZIER: Bye-bye.



Kenneth C. Frazier
Chairman of the Board and CEO
Merck & Co., Inc.

Kenneth C. Frazier has served as the chairman of the board and chief executive officer of Merck since 2011.

Under Ken's leadership, Merck is delivering innovative lifesaving medicines and vaccines as well as long-term and sustainable value to its multiple stakeholders. Ken has substantially increased Merck's investment in research, including early research, while refocusing the organization on the launch and growth of key products that provide benefit to society. He has also led the

formation of philanthropic and other initiatives that build on Merck's 125-year plus legacy.

Ken joined the company in 1992 and has held positions of increasing responsibility including General Counsel and President. Prior to joining Merck, Ken was a partner with the Philadelphia law firm of Drinker Biddle & Reath. Ken's contributions, especially in the legal, business, and humanitarian fields, have been widely recognized. He sits on the boards of PhRMA, Weill Cornell Medicine, Exxon Mobil Corporation, Catalyst and Cornerstone Christian Academy in Philadelphia, PA. He is co-founder and co-chair of OneTen, a coalition of leading organizations committed to upskilling, hiring, and promoting one million Black Americans into family-sustaining jobs. OneTen is committed to facilitating a meaningful, measurable, and lasting impact on racial and economic justice. Ken also is a member of the American Academy of Arts and Sciences, the American Philosophical Society, The Business Council, the Council of the

American Law Institute, and the American Bar Association. Additionally, Ken is co-chair of the Legal Services Corporation's Leaders Council.

As a strong advocate for social justice and economic inclusion, Mr. Frazier is the recipient of numerous awards and honors, including the Anti-Defamation League Courage Against Hate Award, the Botwinick Prize in Business Ethics from Columbia Business School, the Legend in Leadership Award from the Yale School of Management, the NAACP Legal Defense and Educational Fund National Equal Justice Award, and the National Minority Quality Forum's Lifetime Achievement Award. In 2018, Mr. Frazier was named one the World's Greatest Leaders by Fortune Magazine. In 2019, he became the first recipient of the Forbes Lifetime Achievement Award for Healthcare.

Ken received his bachelor's degree from The Pennsylvania State University and holds a J.D. from Harvard Law School.