

Why Business Must Change to Earn Back Trust

Remarks of Jeff Kindler
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Good afternoon. Whenever I come to Boston, I feel like I'm coming home. My wife grew up in Wellesley. We both went to Tufts, where our daughter is a junior. I lived in nearby Somerville for seven years while at college and law school, and I have great memories of my student years here.

Now, more than 35 years after first coming to Somerville, I'm proud to lead a company that is an important member of the science and business community in Massachusetts. Pfizer employs more than 2,000 people in the Commonwealth—many of them here in the Boston area—in biomedical research and development, advanced bioscience manufacturing, and commercial operations. A few of them are here today, and I want to thank them for joining us.

The Boston area is home to many of the world's leading scientific minds, and we at Pfizer are fortunate to work closely with many of them to develop new medicines to prevent and treat the world's most serious and feared diseases. In recent years, we have been involved in more than 160 collaborations with many world-class biotech, academic, and research institutions in Massachusetts. Our sites in Andover and Cambridge form a hub for our global BioTherapeutics research & development activities. Our scientists here are working on transformative research to help people living with rheumatoid arthritis, lupus, Crohns disease, psoriasis, and multiple sclerosis. They are developing medicines for hemophilia, tissue repair, metabolic diseases, and more.

Our new emerging research includes regenerative medicine using stem cell technology, novel RNA-acting drugs, and advanced genetics to better tailor the right treatments to the right patients. Two of our leading medicines were developed right here in Massachusetts—BeneFIX and Xyntha to control and prevent bleeding in

certain types of hemophilia, and Inductos, the world's first bone growth factor that actually induces the growth of bone.

Biomedical advances such as these are the latest chapter in a history of innovation that stretches back to the middle of the last century. In some ways, that was a time like today, when governments and businesses faced great challenges, but they approached those challenges in a way that perhaps we could learn from now.

The Story of a Miracle Drug

Consider the story of a miracle drug—penicillin. It was the first real defense against bacterial infection, and it held the promise of saving millions of lives on the fields of battle. But producing this life-saving miracle was slow and laborious.

As the Second World War raged on, penicillin was still being produced one dose at a time, taking precious time that the Allies simply did not have. So the British and American governments issued an urgent appeal to chemical manufacturers: Help us find a way to make more penicillin, faster.

Pfizer stepped up, and our scientists soon discovered a way to mass-produce it. We bought an old ice plant in Brooklyn, and our employees worked around the clock to convert it into a penicillin factory. Our chairman posted a sign that read, "The faster this building is completed, the quicker our wounded men get penicillin, the new life-saving drug." Within four months, Pfizer was producing five times more penicillin than originally anticipated. In the end, more than 90 percent of the penicillin that the Allied forces carried ashore on D-Day was made by Pfizer.

This story still inspires Pfizer employees today, and not just because we are proud that our company contributed to the war effort. It inspires us because it recalls a time when countries, and governments, and businesses came together, in

common cause, for something larger than themselves.

It was a time when everyone trusted everyone else to do the right thing. It's a time that today seems very long ago indeed, because that spirit of trust and common cause seems to have evaporated. It's up to all of us to earn it back, starting now, and that's what I'd like to talk about for the balance of my time this afternoon.

If we fail to change, then the future will not be pretty, for business or for society as a whole.

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And if you think you're exempt, you are wrong.

If we fail to change, then the real and legitimate anger that people around the world are feeling will lead to

policy changes that could damage our competitiveness and put our long-term prosperity at risk. Elected officials will be defeated, and businesses will face limits on their licenses to operate.

We're already starting to see this. Over time, it will mean lost opportunities for the private sector innovation that can create jobs and rebuild the economy. The reason is clear: In Europe and the United States, nearly two-thirds of people say they trust corporations less now than they did a year ago. The numbers are even worse for governments and public officials. But we *can* turn things around, and we *can* earn back trust.

Now, I'm sure many of you know that, in September, my company recently paid a very significant fine on a compliance charge, right here in Boston. So you're probably asking yourself, "Jeff, who are *you* to talk about trust?" That's a fair question.

The case involved some of our sales people improperly promoting one of our medicines for uses that the U.S. government had not authorized. As a result, we were prosecuted and pleaded guilty to a felony. We paid the U.S. government \$1.8 billion to settle the case, and another \$500 million to address other pending civil matters.

It was a blow to our employees. It didn't reflect the company that they know. Our friends and family asked us all, "What is going on at

Pfizer?" They wondered: Is Pfizer no different from the countless other institutions that have violated the public's trust?

Lately, it seems to be happening more and more, around the world. Just over the past year, the Governor of Illinois was arrested, impeached, and thrown out of office for influence-peddling, and a member of Congress was convicted of accepting bribes and storing the cash in his freezer.

Business hasn't done any better, from reckless risks with other people's money, to Ponzi schemes, to insider trading, and more. Many large banks, and U.S. automakers, now owe their very existence to taxpayer bailouts. People are angry because the companies that failed were rewarded... and they paid for it.

Across society, people have come to believe that the rules meant to bring order to society instead are manipulated to benefit the rule-makers. It has become so widespread that having questionable ethics is often seen as the norm. In fact, doing the *right* thing now seems quaint and old-fashioned, when so many people seem to get away with doing the *wrong* thing.

People have had enough, and the backlash is real. It's fueling demands for more restrictions on business and governments. People say, banks should risk less and pay their executives less. Oil companies should drill less and burn less. Drug companies should charge less but also do more breakthrough R&D. Sometimes, this criticism is warranted. Sometimes, it's not. But when the majority of people don't trust you, they'll find a way to force you to change.

It's Up to Us to Earn Back Trust

So this is where we are. And it's up to us to earn back the trust that we've lost. It will take a lot of time and energy. We have to start by letting people know, "we hear you." This starts with acknowledging where we've gone wrong, showing that we're making real changes, and demonstrating that we are willing to work together to address society's most urgent problems.

At Pfizer, we've begun to change. We know we need to be straight with people. No one has any tolerance for corporate spin. So, we're disclosing more information than ever. You can

go to the Web to see how we compensate doctors, the progress our scientists are making, and the results of more than 1,000 clinical trials of experimental new medicines, and those that are already on the market.

We've changed the way our salespeople interact with physicians. The golf trips are long gone. No more fancy dinners, or tchotchkes left in the doctor's office. Fewer representatives in the waiting room, more training, and a greater focus on providing up-to-date information about the medicines physicians prescribe.

Meanwhile, we're expanding our work for people who cannot afford our medicines. Last year, more than 3,000 uninsured people in Massachusetts received over 20,000 prescriptions for Pfizer medicines, for free or at a very substantial savings. And, because so many people are out of work, we launched a program earlier this year that says if you lose your job and your insurance, you shouldn't have to lose the medicines you need too. If you're out of work, and you need a Pfizer medicine—call us, and we'll find a way to help you get it.

Beyond the U.S., we're working to reach the seventy percent of the world lives on less than \$3,000 a year—four billion people. In the past, we've reached them through philanthropy. As just one example, Pfizer has given away 87 million treatments of Zithromax to treat the infections that cause blindness in poor countries. This has helped eliminate trachoma, the leading cause of preventable blindness, in many places. In fact, the World Health Organization has set a goal of eliminating it from the entire Earth by 2020, and we're going to help make that happen. But, while we'll continue to engage in significant programs like this, we know that philanthropy alone isn't enough.

So we've also created a new business to expand access to generic medicines around the world, and another dedicated to creating a marketplace that's not dependent on charity, and that will provide people in the developing world with affordable medicines in a sustainable way.

These are all important changes, but we have to do more – and a recent transformation of our company gives us an opportunity to do so much more.

We completed our \$68 billion acquisition of Wyeth in October. It was the first major M&A deal since the economy collapsed in September of last year.

The combination created a much larger and more diversified health care company. It gave us unique scale and global reach. It gives us an unmatched portfolio of health care solutions for every stage of life from pre-natal vitamins and infant formula, to vaccines and preventive care, to treatments for Alzheimer's.

Making Commitments

We stepped back and asked ourselves some fundamental questions. That's something we should all do regularly. We asked, how can we uniquely serve the world's health needs? What can we do that no other company can do? And, perhaps most importantly, what responsibilities come along with our greater resources and capabilities?

In answering these questions, we made seven commitments at Pfizer to ourselves and to the people we serve, which include all of you.

These commitments are unique to what we do, and we believe no other company could make them. These words are supported by actions—actions we have taken and intend to take. We expect to be held accountable to meeting these commitments.

First, we have committed to advancing wellness, prevention, treatments and cures, because health is one of the most important investments a society can make. It's time to move beyond simply helping people get better after they get sick. Shouldn't we help them keep from getting sick in the first place?

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Before going to see the doctor, most of us try to take care of ourselves first. This can start with medicines like Robitussin for cough and cold, or Advil for aches and pains. When people take care of themselves in these ways, they usually feel better, and they also reduce the burdens on health systems, and that saves money for all of us.

So, as a society, we have to do more to advance health and wellness at every stage of life. For adults, this can mean taking steps to quit smoking, for example. For children, this means improving nutrition, especially from birth to age two, the critical window for growth and behavioral development, and it can mean a vaccine that can prevent invasive pneumococcal diseases, such as meningitis. Wellness means getting this vaccine on national immunization programs because these preventable diseases take the lives of up to one million children every year before they even reach age five.

Our second commitment is to bring the best scientific minds together to challenge the most feared diseases of our time. Solutions are within reach to some of the world's most serious health problems. Biopharmaceutical companies around the world are now studying more than 860 potential new medicines to treat cancer. More than 2,000 medicines are now being studied to treat the conditions that affect older people,

860 potential new medicines for cancer.

**—
More than 2,000 for Alzheimer's and other sicknesses of aging.**

including Alzheimer's. It is a terrible condition, that science knows relatively little about.

Our researchers come to work every day to advance this science hoping to help the people they love by one day finding new ways to treat Alzheimer's, and even prevent it. And we know we can't do it all on our own, so when appropriate we'll even join with our competitors to advance science and health. We did that earlier this year when we split off our HIV/AIDS business. GSK did the same, and we joined those two businesses together to create a new company, called Viiv Healthcare to seek new health solutions in ways that neither company could do alone.

Third, we have committed to setting the standard for quality, safety, and the value of medicines. If we ask people to put our products in their bodies, which is what we do, then people deserve to know that those medicines are safe, that they work, and that they are worth it.

We do this through a world class medical organization. But our work also extends beyond the medicines we make, because a global economy

requires us to be vigilant to ensure that people are protected from counterfeit medicines. In fact, the World Health Organization estimates that about 30% of all prescription drugs on the market are fake. So we're also working on enforcement, partnering with the FBI, the Drug Enforcement Agency, and customs officials to police the supply of medicines. The health and safety of the people who use our products depends on it.

Fourth, we have committed to using our global presence and scale to make a difference in local communities and the world around us. Selling medicines is not enough. People expect us to respect and support their communities, to act ethically, to practice environmental stewardship, and to support responsible public policies.

Here in the United States, this means supporting health care reform. Over the past three years, we have adopted a new approach to public policy, with an emphasis on actively supporting appropriate reforms, rather than simply trying to stop things we don't agree with.

For example, we're advocating for a stronger Food and Drug Administration—one that's better funded and shielded from the political influence that has gotten in its way in recent years. How many businesses do you know that want a stronger regulator? *We do*, because it will give patients greater confidence that the medicines they take have been thoroughly reviewed by independent scientists for safety and efficacy.

Our industry is actively engaged in the legislative side of health care reform, and we share a lot in common with elected officials on both sides of the aisle. We have committed to supporting part of the cost of health care reform in part by helping to close the "donut hole" coverage gap that exists for many senior citizens who get their prescriptions through Medicare. And while we do oppose certain proposals being discussed in Washington right now, we also know that doing nothing is not an option, and that we all agree on more than we disagree on.

Fifth, we have committed to promoting curiosity, inclusion, and a passion for our work. When our people bring these qualities together, they can generate the scientific innovation that leads to new treatments and cures.

A great example is a biologist on our regenerative medicine team here in Cambridge, Stéphane Poirier. He explores the potential use of stem cells to prevent disability, repair failing organs, and treat degenerative diseases.

It's cutting edge stuff. But what makes Stéphane unique is the passion he brings to his work. Because regeneration is a theme in his life beyond the lab bench, and medical research at

A biologist and two-time cancer survivor searches for new treatments.

Pfizer is more than just a job for him.

You see, at the age of 35, Stéphane is a two-time cancer survivor. He's in full

remission. He has received two stem cell transplants, so he knows their scientific potential. In his day-to-day work, Stéphane contributes to scientific advancements that can help other people, as they have already helped him. Stéphane, would you stand, please?

I do not pretend to understand Stéphane's work, but I am inspired by it, just as I am inspired by the thousands of Pfizer scientists around the world who come to work every day seeking to find new cures and treatments for the most feared diseases of our time. These individuals remind us that biomedical innovation starts with curious scientists, working in a place that encourages learning, and bringing deep passion to their work.

Our sixth commitment consists of our determination to being a leading voice for improving everyone's ability to have reliable and affordable health care. It's the right thing to do morally and economically.

In every part of the world, we have a responsibility to work in partnership with governments and non-governmental organizations to expand access to quality care. In emerging economies such as China, for example, we're working to support a massive reform effort to expand access to care, particularly in its remote areas beyond the large eastern cities. This will create a greater need for more qualified doctors and researchers, so Pfizer is helping train scientists at two leading Chinese universities.

In Bangladesh, we're working with Nobel Peace Prize winner Professor Muhammad Yunus, to expand access to health care using the model of

Grameen Bank. That's the micro-finance bank he founded to help entrepreneurs obtain loans, start small businesses, and lift themselves out of poverty. This is the first step toward better health, and we want to help take the next one.

And around the world, we're working with former President Bill Clinton's foundation to reduce the cost and expand the availability of an important antibiotic used to treat tuberculosis in people living with HIV/AIDS. We worked with him to shape the foundation's first pricing agreement with a pharmaceutical company to provide commercially sustainable access to a tuberculosis medicine.

In some ways, **our seventh and final commitment may be the most important one of all. We must maximize our financial performance so we can meet all of our commitments to everyone who rely on us.** This may be the most important commitment because all the others depend on it. We can meet our obligations to patients, communities, and others *only* if we deliver strong and sustainable business performance.

In much of health care, this matters because only private business can do what we do. That's because since World War II, the ability to develop, manufacture, and distribute medicines on a vast scale has been the single most significant improvement in health care.

But the research and development that leads to important advances is extraordinarily expensive, extremely risky, and painstakingly slow. While we are taking important steps to improve our R&D productivity, bringing a new medicine from the lab to the patients still takes more than a decade and costs more than one billion dollars. And that's for those discoveries that make it to patients. Most don't. For every one medicine that makes it to patients, another 10,000 research projects that start out in the lab fail along the way. That's simply how it is.

While government can help fund, and university researchers can drive, much of the basic science that is essential for early-stage drug discovery—only a for-profit business can take on the costs and risks of full-scale drug development. Because the risks and costs are so high and the return, if any, takes so long, the companies and

the investors that fund drug discovery and development will always need to earn appropriate returns when they are successful. That's why we have to maximize the financial performance of our business, because everything that we do depends on it.

We've said to our stakeholders: Here are our seven commitments. Measure us not by what we say, but by what we do. Our success depends on scientific advancement, bringing valuable new medicines and vaccines to people, and delivering a strong business performance overall. All of this, in turn, depends critically on how we do our job and on whether people trust us. That's an important reason why we have made these commitments.

We know the stakes are high. If we don't do what we say we'll do, we'll lose trust even further. Then we could lose customers or face more legal problems. But even more importantly, everyone will lose out on new opportunities to add more years to people's lives and life to their years.

This is not unique to Pfizer. It's true for you too, whatever industry or public office you're in. So it's up to each of us to earn back trust. Everyone has a role, even if you didn't contribute to the problem. Step one is to acknowledge that there is a problem. Then, we all have to demonstrate our commitment to doing things differently, by taking actions that focus beyond our short-term bottom line, to serving all of our stakeholders over the long run.

The American people want a return to the days when countries, and governments, and businesses came together, in common cause, for something larger than themselves. It's up to us to make this happen.

It's the right thing to do, and our success depends on it, even our survival. I believe in that very deeply, and that is why I am grateful to everyone at the Club for inviting me here today to share these thoughts.

