

**Abbott Global Citizenship Webcast  
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Corporate Speakers

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- Jane Nelson        Harvard University    Senior Fellow and Director, Corporate Social Responsibility Initiative, Kennedy School of Government
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**PRESENTATION**

Reeta Roy: Hello, everyone. Welcome, and thank you for joining Abbott's Global Citizenship Webcast today. My name is Reeta Roy. I'm the Divisional Vice President of Global Citizenship and Policy at the company. We'll be discussing our company's citizenship performance in 2005, and I hope everyone's had a chance to take a look at our report. It's on our website at [Abbott.com](http://Abbott.com).

Our webcast today will last about 45 minutes, and we want to spend most of the time answering questions. So let me get going, and begin with introductions. I'd like to introduce Jane Nelson, who is the Director of the International Business Leaders Forum in London. And Jane is calling in today from London. Jane is also a Senior Fellow and Director of the Corporate Social Responsibility Initiative of the Kennedy School of Government at Harvard.

Abbott's a member of IBLF and the Harvard CSR Initiative, and we've worked with Jane on a number of occasions. Jane serves as one of our external reviewers for our citizenship report. And she's also a group of thinkers we tap on and off for feedback on our performance. Jane has been very engaged in assessing a public-private partnership between Abbott and the government of Tanzania to strengthen that country's healthcare system, and you'll hear about that in a bit.

I'm here with three colleagues of mine from Abbott. Dr. Stan Bukofzer, Director of Medical Affairs, Bob Accarino, Director of Environmental Affairs, and William Lee, Director of Corporate Diversity and Inclusion. Let me go through our agenda. I'll start with a short presentation, followed by some remarks from Jane, and then we'll open up for Q&A and Stan, Bob, William, Jane and I will take your questions.

Throughout the webcast, I hope you feel free to submit questions. You'll see a box above the slide labeled questions. Once you've typed in your question, just hit the ask button and it will be in the queue. Okay, let's get started. My presentation is going to cover three areas, the operating and business context and the challenges we face for healthcare

companies, our approach to citizenship, and lastly our results and how we measure progress.

As you can see from the slide, as a global healthcare company, we operate in one of the most highly regulated industries in the world. It's also one of the most competitive and it's driven by innovation. Our shareholders expect solid returns from Abbott, and based on our assessment of the marketplace, citizenship today is no longer just an expectation of global companies, it's clearly a requirement to stay competitive.

If we are going to stay competitive and fight for share of capital, talent, brand loyalty, then we need the public's approval and trust. And to do this, we need to understand risks and opportunities in the marketplace, and we need to stay very close to our stakeholders and understand what's [happening]. We do know that stakeholders have a very high expectation of Abbott and certainly of our industry. Oftentimes, we find ourselves in the thick of some of the most intellectually challenging, oftentimes controversial, debates around solutions to healthcare issues.

We're a stakeholder in global health as well, and we have a pretty keen appreciation for some of the dilemmas, whether it's how we help the uninsured access affordable medicine, how we manage the very real rising cost and risks associated with innovation, or how do we advance solutions for those rare diseases that only affect a small population or diseases that are prevalent in some parts of the developing world.

Beyond healthcare, global companies like ourselves are called on to make a contribution because of our multiple roles as employers, as manufacturers, as purchasers of goods and services. For example, how do we reduce our impact on the environment as a manufacturer, or, as an employer, how do we contribute to creating a much more inclusive society, where all employees are welcomed and all employees can continue to develop and grow?

Or, in this country specifically, as a scientific organization, what's our contribution to education, where kids and schools today lag in math and science? All of these issues carry expectations that companies and companies like Abbott, specifically, will act responsibly. And that brings me to how we define citizenship at Abbott.

We have tried to take a very holistic and comprehensive approach to citizenship. As you see here from the slide, citizenship affects all aspects of our operations, from R&D, product quality, patient safety, to the positions we take on public policy issues. At its essence, citizenship for us is about connecting our values and our mission to how we conduct our business.

I'd like to spend a couple of minutes in terms of how we integrate citizenship in the company. First and foremost, it starts at the top, with leadership from our Chairman of the Board and CEO, who is our greatest champion. Integration also comes through multiple governance structures and processes throughout the company to ensure accountability.

For example, 11 of the 13 members on the board of directors are independent directors. We're one of a few companies in the United States, which has a public policy committee with a charter to oversee the broad range of issues which fall under social responsibility. We also have a number of executive councils throughout the company, which look at specific areas of business conduct, pharmaceutical policy, global purchasing, environmental health and safety, and diversity.

These are decisionmaking bodies which set strategies and goals, and hold the organization accountable for achieving those goals. Clearly, stakeholder engagement is another key area for any company and it's very, very important for us. We have worked to mainstream stakeholder engagement throughout the company.

And in this year's report we took a special effort to provide a broad range of examples about the multiple dimensions of stakeholder engagements and the variety of organizations we work with, whether it is to advance treatment, to improve patient safety, to fight counterfeiting, or to find solutions to address the growing need to treat children who are living with HIV in the developing world.

You'll see as well on one of the charts in our report a list of action we have taken on issues which we deem to be highly material for our company and certainly highly material for our stakeholders. Reporting is an area we have taken very, very seriously. This is our fifth Global Citizenship Report, and reporting isn't just only integral to the company's overall citizenship strategy, it's certainly a competitive tool. It's a reputation tool, and most importantly, it's a driver of performance.

We've found that the report is very, very helpful as a stimulus for discussion with different parts of the organization about how they, too, can participate, how they can integrate citizenship. In many, many ways, the report's a catalyst for change, and clearly it's an opportunity for us to discuss a lot of the material issues with our other stakeholders.

I'd like to spend a minute on some of our results. I won't go through every single one of the items listed on the slide, but what we've tried to do in this year's report is focus on what we consider our most important issue, and that is enabling patients access to affordable medicine. And as you'll see from the first two bullets, we spend a substantial amount of resources in research and advancing cutting-edge science, as well as in programs which directly impact patients and enable them to get access to medicines.

One of the key topics on the next slide, which is extremely timely and certainly in the public domain is the whole issue of clinical trials and company disclosure on clinical trial results. We have been particularly aggressive in this area, and we have put our results on two different websites, one run by the industry trade association and one run by the U.S. government. We've also posted our positions on our website.

You'll see in this year's report that we've maintained rather aggressive goals in terms of retention, hiring and advancement of women and minorities in the workplace. We set for ourselves a goal of 50% representation of women in management and 25% minorities in management, and this past year, as you can see, we hit the 40% mark for women in management, and Diversity Inc., which is a publication which tracks these trends, ranked Abbott as the number one company last year in terms of [and for] executive women.

You'll also see a lot of data in the report, especially in the back, which tracks our environmental health and safety goals. We have set for ourselves five key goals to be achieved by 2010 in terms of reduction in water usage, carbon dioxide emissions, hazardous waste, lost days in the workplace and U.S. Fleet [accidents]. All of these goals are things which we track very, very closely and which we will continue to report on in future reports.

In terms of measuring progress, we try to strike a balance between quantitative goals, as well as qualitative feedback. And as you see, we value rankings by third-party organizations, but we also especially appreciate feedback. And feedback which comes from stakeholders, be they customers, patient organizations, advisory boards we work with, or feedback from opinion leaders like Jane and others, who enable us to continue to reflect, think, improve and sharpen our performance. And where we have an opportunity, we really appreciate contributing our learning, our experience and the type of impact we believe we're having in this whole field of citizenship.

I think some colleagues from Boston College Center of Corporate Citizenship are on the phone with us, on the webcast with us. Last year, we had the opportunity to work with them on a report they put out, with several other companies, on the role and how various companies integrate citizenship across their organizations, and we found that a very valuable process.

I think I'll stop here for now, and I'll turn it over to Jane to provide some feedback. Go ahead, Jane.

Jane Nelson: Great, thanks very much, Reeta, and good morning, or good afternoon everyone, depending on where you're calling in from. What I'd like to do in the next few minutes, if we could just go on to the next slide, is cover two key questions. First of all, looking at sort of Abbott's performance against some of what I consider, and I think colleagues at Boston Colleague and BSR and other organizations consider to be some of the key trends in global corporate citizenship. And then secondly, look more specifically at Abbott's report and performance against some of the sort of key issues, both current and emerging, in global health.

And looking first at sort of key issues in global corporate citizenship, I think probably one of the single most important points that have emerged in the last sort of five years or so, both in reporting, but also in terms of overall performance, is the need for an integrated and comprehensive approach to corporate citizenship. And I think for most of the people on the call, that is absolutely a given these days, and yet it's amazing how

many corporate responsibility reports are still focused mostly on the community investment, philanthropy side of things, which I believe is very important, but only one part of the equation.

And I think, certainly, the frameworks that we developed at the International Business Leaders Forum and Harvard sort of see three key dimensions of a company's contributions and responsibilities in terms of corporate responsibility. First and foremost, obviously, what's going on in their core business activities, their governance frameworks, workplace, marketplace, their supply chains. And I think on that front, this year Abbott has made some great advances in addressing that in their report.

It could probably have said a bit more about its three core business units, and I think there is more and more of a trend for your companies in their corporate citizenship or sustainability reporting to address very much what their core business units and core business activities are. But I think, another sort of important area that's coming up in reporting under core business activities, is how these issues, social and environmental issues, are being embedded into performance reviews and performance criteria.

And Abbott briefly mentions that in their report this year, and again we sort of look to it to see that develops further in coming years, but I think there's going to be increasing pressure on companies to demonstrate along the lines of the research of Boston College did, how these issues are being integrated into key performance indicators and performance reviews.

So I think that's absolutely at the heart of the citizenship agenda today, and as a sort of fundamental requirement for good sustainability reporting. I think on the community investment philanthropy side, there's a growing focus not only on demonstrating what are the projects that are being reported, but also how the company is mobilizing and harnessing its core competencies to address those issues.

And obviously in the healthcare industry, it's a bit clearer what those core competencies are. But beyond the whole area of product donations, what are pharmacies or companies doing to share logistics management, supply management, administrative capabilities, information, technology capabilities, with their community partners, I think is going to be a growing question in assessing performance in this area.

And I think both in Abbott's Tanzania Care project, which I'll come back to, with the government of Tanzania, but also some of their post-disaster relief and response activities, they've started to illustrate how those core competencies are mobilized. But, again, I see growing pressure on Abbott and other companies to be more and more specific about what those core competencies are and how they can be mobilized in the broader community investment and philanthropy side.

But I think third, and in many ways sort of most interesting, is that the whole field of how companies are engaging in public policy dialogue, their lobbying activities, influencing activities, advocacy, strengthening public institutions, or not, as the case may be. And I

think, even the companies that are beginning to look at their core business activities in their community investments, philanthropy is the fundamental heart of corporate responsibility, many of them are not looking at the broader influence on and interaction with the public policy frameworks and background.

And I think that's been sort of important addition to Abbott's report this year, is starting to look at not only the definition of corporate citizenship, which Reeta shared with everyone, but this exercising influence is an important part of corporate citizenship, but actually beginning to talk about how that influence is exercised and how the company is engaging in public policy.

And, again, I see and more expectations on companies to report, not only on their core business and their community investment, but also this broader public policy area. I think that's the first [inaudible] key trend we're seeing, and all three of those sort of aspects of a comprehensive approach Abbott is beginning to report on. And I think we'll need to continue to refine the reporting in each of those three areas, but has this year addressed all of them in a very explicit way in its report.

If we go on to the next slide, I think the second major trend that we're seeing in global corporate citizenship is the link between the company citizenship activities and its corporate governance and overall corporate strategy. And both Boston College and BSR, as well as the IBLS, have done interesting reports in recent years, looking particularly at the link between corporate citizenship and corporate governance and the board of directors. And I think this is going to be an area of growing interest and requirements of companies as they report.

And Abbott has mentioned, its board's committee, and Reeta mentioned it in her presentation, their public policy committee. Research we've done shows, that only about 30% of the Fortune 200 in the U.S. have corporate responsibility, public policy, corporate citizenship committees at the board level. And whether a board has a committee or some other type of structure for very explicitly and systematically addressing these broader societal issues. The actual structure probably doesn't matter as much as the fact that in sustainability reports and other performance reviews, that link with the board of directors and corporate governance is being explicitly talked about and described as a key process for delivering on a company's corporate citizenship commitments.

I think that the existence also of senior-level working groups -- Abbott's Executive Inclusion Council that Reeta spoke about, those type of structures which are cross-functional, across the company, preferably headed by the CEO or the CFO or someone in the C suite, there will be growing demands for those type of structures and, again, I think a growing interest in what those structures are and the company being able to report on them.

So, again, I think that's made some good progress on that in the last year and being increasingly specific about what those governance and accountability structures are

internally will be increasingly important. Thirdly, on stakeholder engagement, everyone's talking about stakeholder engagement these days.

But I think, again, there's a growing challenge for companies, particularly in their sustainability or corporate citizenship reporting to be very clear and specific on what their stakeholder engagement strategies are. Because everyone's [sort of] saying [we're] doing stakeholder engagement and there's a big difference between a one-off multi-stakeholder dialogue, and actually putting systematic structures in place to engage on a regular basis with stakeholders.

And the way I sort of look at stakeholder engagement, there are sort of four, I think, critical components of it. One is communicating with stakeholders, and I guess today is one exercise and example of that, and all types of reporting are. But I think a second very important aspect of stakeholder engagement is consulting with stakeholders, getting stakeholder feedback on the company's policies and practices, and actually setting up external, independent, [society] boards and advisory councils to give feedback on the company's activities.

And one example, I think, in Abbott's report, the HIV African American and Latino Treatment Council is a good example of a pretty much -- to my knowledge, totally independent council of caregivers, doctors, patients, other practitioners in the field of HIV/AIDS to give the company feedback on its policies.

I think more of those systematic structures are going to be called on. Obviously, there is stakeholder cooperation and there are examples dotted throughout the report of different types of partnerships. And again, I think there's going to be growing expectations on business to be very explicit and clear on what those partnerships are, how those partnerships are governed, what the actual impacts of the partnerships are, endorsements or assurance from the partners themselves.

And I think that's the fourth part of stakeholder engagement, which is an area which Abbott, along with a number of other companies, I think has a need to keep improving on, which is the whole assurance aspect, of not only the reporting, but the company's overall performance.

And I think we're hearing more and more about stakeholder assurance, and obviously some companies are going the route of one of the big accounting firms giving assurance on their reporting, but I think there are some very interesting models beginning to emerge of multi-stakeholder sort of assurance structures, whether it's about the company's reporting or its activities in a particular project area or a particular country.

So I think Abbott has sort of started to address the different types of stakeholder strategies, but it along with most other companies I think are going to need to be increasingly explicit about the different mechanisms being used to engage stakeholders. Finally, I'd say, before moving on to the key issues in global health, is how companies are addressing the issues that are most material to their business.

And, again, I think it's probably obvious for any of the companies who are leaders in this field how critically important it is to address the two or three issues that are most material to your industry sector and to your company. Which probably brings us on to the next slide that I prepared, that sort of looks at Abbott's performance against sort of global health issues.

And I think it was for me very encouraging to see this year that Abbott put access to medicines at the heart of its corporate responsibility report, because that's obviously, from the healthcare perspective, one of the most material and challenging issues that the industry and this particular company faces.

And I think being very explicit in laying out four different areas that the company takes in its approach, which a number of other pharmaceutical companies have started to do as well. And saying this goes obviously way beyond product donations to the core of our business and our business model is a very important development and one that each year now, against those sort of four areas, I think the company can be assessed in terms of what it's doing to improve access to medicines.

Reeta briefly mentioned the area of neglected diseases, and I think that is one of the big uncomfortable, difficult dilemmas in the public health and sort of pharmaceutical healthcare company field. I think there's growing expectation that healthcare companies will address neglected diseases, and yet I personally feel it's really important that companies focus on where their core competencies exist. And going and doing R&D in an area in which the company doesn't have a longstanding competency could be challenging.

And I think stakeholders need to think through very carefully on the field as [executives see] which are the companies that have the best competencies for each neglected disease. And I think the need for a new type of partnership will be critical there for all sorts of reasons, that I think most people on the call will appreciate.

But I think putting access to medicines at the heart of the report is a very important improvement this year, and [being able] to assess improvement against the four strategies that Abbott has highlighted will be important going forward. I think a second very interesting development that I'm seeing in global healthcare and public health in general and the role of healthcare companies, is what companies are doing to actually strengthen public health systems capacity.

So much of the debate [had] access to medicines wouldn't exist, if the actual health systems, particularly in developing countries, were working as they should and insurance, medical insurance, is working as it should in countries like the United States. And I think there is going to be growing pressure on companies to, not only look at the actual access to drugs and devices and treatments, but also [how are] they helping to strengthen health systems?

And I think Abbott's partnership with the Tanzania government is a good example. You have a company making an effort to work in partnership with governments and with donors to actually strengthen the system itself, not just the components of the system. And you're looking that the information technology in the system, the logistics management in the system, the physical infrastructure in the system and trying to understand how an entire system works.

But, obviously, there's as real danger there of having unrealistic expectations of what an individual company can do, but I think there is going to be more and more debate and discussion about what companies are doing to actually get involved more systemically in system capacity. Thirdly, I see a very important emerging issue on the public health agenda, or the global public health agenda, is the whole area of nutrition or malnutrition, by which I look at both ends of the malnutrition spectrum, both the sort of obesity, diabetes and sort of the [isolated] aspects of malnutrition, as well the undernutrition and sort of hunger and micronutrient deficiency challenges at the other end of the spectrum.

And I think for a company like Abbott, which now has nutritionals as one of its three core business units, there will be growing interest and an expectation [technical difficulty] the nutrition issue will be more addressed. For people who are interested in the growing emergence of nutrition, the World Bank, for the first time, I think, in its history, produced a report this year entitled, "Repositioning Nutrition is Central to Development," and made a very, very strong argument that nutrition is not just a health issue, but also a major economic development challenge. And I'd strongly recommend people look at that World Bank report if you're interested in that issue.

Reeta I think briefly mentioned counterfeit products. I see that as another area that is only going to become more challenging, as more and more producers in developing countries in sort of less-strict regulatory regimes start to produce medicines and devices. Actually working together within the industry and with governments and with donor agencies to ensure that counterfeit products aren't beginning to swamp the system, I think is going to be a major challenge for the industry.

Clinical trials, again, Reeta mentioned, and it's obviously very topic of the moment, both in Europe and in the States for a number of reasons, which most people will be familiar with. And I think that the growing need to disclose data at different stages of clinical trials is going to be another critical issue.

The final issue that I've put down on my notes as I was going through the report is not really a public health issue per se, although it is also a public health issue, but the whole emerging challenge of water scarcity and quality of water. I think one of the single biggest sort of environmental, but also socioeconomic challenges we have looming on our horizon, is water scarcity and water quality, pretty much around the world. And I think for any company operating in countries where there is water scarcity, that the need to address that is going to become a major challenge going forward.

And I think the way that Abbott has started to address it in its report, with three very specific areas, where it feels it can have an impact and should play a role is also very helpful. I think just to finish off and then we'll open up for questions, I think two of the biggest challenges I see in this industry more than most, but I think in most industry sectors now, and Abbott is certainly facing it, is how to manage expectations of what an individual company can do, or even what a group of companies working together can achieve.

And I think, increasingly, I see one of the most important roles of sustainability or corporate citizenship reporting is going to be to set very clear parameters and frameworks for what the company feels are its core obligations and responsibilities, what it thinks it can do in partnership with others, and what things are actually not the role of the company, but are the role of governments.

And obviously that's a difficult, sensitive area, but I think using reporting and stakeholder dialogue to not only manage expectations, but to understand expectations and then be very explicit that there won't always be agreement on what the company thinks it can and cannot do as sort of the basis for ongoing stakeholder dialogue I think is going to be a growing challenge.

And then, finally, as has probably been obvious from some of the other comments I've made, is the need for new types of collective action and actually reporting on those new types of collective action. So whether it's things like the Partnership for Prescriptive Assistance, with Abbott and a number of the other pharmaceutical companies are working together on, or the Project for Quality Medical Donations, or the Global TB Alliance, increasingly, because so many of these challenges are so systemic, no one company, no one industry, can do it on its own.

There are the need for these multi-stakeholder alliances. And I think reporting, much more specifically and in more detail on some of these alliances, how they're governed, how they're resourced, what their overall impact and management structure is, is going to be another both challenge, but also I think opportunity for companies as they move forward on the corporate citizenship agenda.

And I think I'll leave it there, and hopefully some of those areas where I think Abbott has made some really good advances on some of the challenges, give the basis for some questions and discussion.

Reeta Roy: Thank you so much, Jane. As always, you're very, very thoughtful, and all of your points are well taken. I'd like to make a couple comments on your remarks, and then we'll open up for questions. First, I totally agree, and I think we all totally agree, that a comprehensive approach is what's required for citizenship. It isn't always the easiest path, and there certainly aren't any shortcuts, but it's absolutely essential if an organization is to truly integrate citizenship in all aspects of its business. The other point you made centered around managing expectations. And I think managing expectations is just a huge piece of the whole citizenship process.

It's about focusing on our core competencies as a business and as an organization, and appropriately defining our role in solving problems, so when you look at the whole act of reporting, we feel that reporting is actually part of that expectation-setting process. In our report, we're speaking as a stakeholder in a lot of these issues and representing our dilemma, our concerns, as well as what we're doing about them and what we expect of other stakeholders. I think the whole area of expectation setting, management, and how expectations evolve, including our own expectations evolve, is an area we're going to continue to see a lot more movement and have a lot more discussion.

With that, I'm going to open up for questions and answers. Just as a reminder, I'm joined here by three of my colleagues, Bob Accarino, who is going to be handling questions around environmental health and safety. Dr. Stan Bukofzer, who's going to be handling medical and scientific-related questions, and William Lee, who is going to be speaking to questions associated with inclusiveness and diversity at the company. And, of course, Jane and I will field questions as well. So, with that, we'll get started.

I see there's first question here, and I think it's appropriately directed to Stan. The question is, what is Abbott's position on the World Health Organization's call for immediate disclosure of all information about nutritional, medical devices and pharmaceutical trials worldwide? Stan?

#### **QUESTION AND ANSWER SESSION**

Stan Bukofzer: Thank you, Reeta, and good morning, or good afternoon, to everyone listening. I think that it's a great question, because this encompasses a lot of practical issues that I think are important to discuss.

Firstly, I want to make it clear that we absolutely strongly support clinical transparency; for the reason that patients and doctors, when they have that information available, are going to be able to make better choices about the treatment that they receive and the choices that they have in the treatment that they want to receive.

Having said that also, there is a practical aspect to it, and it's how best to do this? And in that regard, I think it's important to understand that this is an evolving area, and it's evolved in a number of ways. Firstly, some people might be aware that, for instance, in the United States, there are laws around it, and for serious and life-threatening diseases, one has to make available certain information on a government website, and of course we comply with that absolutely.

But in addition to that, there are multiple stakeholders around the world, each of whom has their own set of principles and reasons why they need this information available. And in that regard, the World Health Organization, as others, have issued guidances in this regard. And sometimes the guidances are easy to follow, and sometimes they're at variance with other guidances issued by other organizations.

So it behooves us, and we do this as proactively as possible, to assess all of these guidances, but always sticking to our guiding principle that doctors and patients need to have available to them the information so that they can make the best possible choices. Now, I think it's also important to understand that there are two types of guidances, or two types of disclosure.

The first type is about the trials which are about to run, and the World Health Organization's recent guidance talked to that type of data. There's a second type of disclosure, and that's the disclosure of the data once it becomes available. At Abbott, we certainly for all pharmaceuticals that we market and are in development, disclose both types of data. And I think earlier, Reeta, you did show the website where this information is available.

Obviously, the World Health Organization's new call for nutritionals and medical devices [inaudible] is something that is an evolving standard. It's something that we take very seriously, and we're working with our industry associations and other stakeholders to understand this request. And we continually evaluate that. Our current policy is on our website, but, as I say, you should always watch the space, because we are continually updating that [disclosure].

Reeta Roy: Great. Thank you so much, Stan. We have another question, and I think it might be best directed to William. The question is, how does Abbott's results in the area of diversity and inclusiveness compare to other companies?

William Lee: Reeta, from a diversity perspective, we've consistently increased the number of females and minorities in management over the last five years. For females, by 64%, and minorities, by 73%. However, our focus on helping employees achieve success both on and off the job, helps set Abbott apart from others.

Some examples are our state-of-the-art onsite childcare center, the largest childcare center in Illinois, and one of the five largest corporate centers in the country. Our Summer of Service program provides teenagers the opportunity to volunteer in their community and learn about hobbies, explore various careers and participate in fun, educational trips.

Some additional programs and benefits we offer are things such as school holiday and backup care options, paternity leave, sick child sick days, adoption assistance, lactation rooms, parenting classes and workplace flexibility programs. Abbott continues to attract the best and brightest employees by offering these benefits, things such as onsite services, flextime, telecommuting and a work environment that fosters work-life balance.

Reeta Roy: Okay, great. Thank you. There's a question on water. We have several questions on water, and Bob I'm going to direct them to you. The overriding question is really about how does Abbott improve access to clean water? How much Water does Abbott utilize, and how do we manage our water resources?

Bob Accarino: Reeta, thank you. The use of water is really a critical issue in the world today, and I'm really happy that Abbott has a very comprehensive program that we're beginning to implement to address how we use water around the world. There's really three components to our water program. First is, within our manufacturing operations, using water as carefully as possible. So in order to measure our progress there, we set a goal and we hope to reduce our water usage by 15%, normalized by sales, over the next four years.

I'm happy to report that we've already shown a 6.5% decrease in our first year in that program. The second aspect of the program is education. In the communities where we operate, we like to educate the communities about how to use water, the aspects of using water, and to work with the communities so that there is the appropriate access to clean water.

And the third aspect of our program is really access in a broader sense to clean water. And we've got a number of programs, we're working in communities, to increase access to water. We've done some work in Vietnam, we've done some work in Puerto Rico, and we hope to continue to do that work.

Reeta Roy: Great. Jane, there's a question which has come in about your comment regarding systematic stakeholder engagement. And the question is, would you speak more about the value of systematic stakeholder engagement? How important is it to have a [true] system embedded throughout the company? Should the company have a policy?

Jane Nelson: Good question. I'm not sure the company should have a -- certainly to start with, I don't think it's necessary to have a policy per se, but I do think it is valuable and increasingly important and necessary to have a more systematic approach, because I think for a long time, just one stakeholder dialogue would be considered stakeholder engagement.

Obviously, it goes without saying that any company, yours or any other company, is engaging with thousands, often millions, of stakeholders on a daily basis. But I think actually having a framework for thinking through the different types of engagements that one has with both internal, but also external stakeholders is very valuable. And I think most companies now, most good companies, are doing basic stakeholder mapping, and I think that's an important first step.

We've been actually thinking through particularly what mechanisms a company can set up for its most important stakeholder groups to ensure that there's not only a regular dialogue, but other types of exchange with stakeholders. I think there is going to be more of an expectation for companies to have that and to demonstrate what it is. And whether it is independent board [of] directors coming in -- then they're obviously seen more as part of a company than stakeholders, but they're independent. And there's an independent board committee looking at these issues, or there's an external advisory committee looking at corporate citizenship in general, or issue-specific committees.

And I think there's a great deal of potential around the area of sort of setting up issue-specific, or dilemma-specific advisory groups that are external to the company, that have an ongoing engagement with the company. So it's not just a one-off dialogue and then everyone disappears to the four corners of the earth again, but an ongoing engagement that they really get to understand the industry, they get to understand the company, and can really challenge and also support and encourage the company, in particular material dilemmas or material issues that are important to that particular company.

So I think doing an overall stakeholder mapping and then from that saying, okay, there are a number of issue areas that are very material to our overall performance, both our business performance and our [broader] societal performance, and that are important to our reputation as a company, and actually setting up structured mechanisms that ensure an ongoing, systematic relationship with stakeholders around those is I think a strategy that I'm seeing a number of leading companies starting to adopt.

And some companies are taking a step further and using sort of external stakeholder groups actually as a sort of assurance basis for their reporting or for a particular project. So getting a stakeholder group around a particular project in a particular country, that's obviously more relevant for some industries than others. But I think identifying who the key stakeholders are, and identifying what the most material issues to the company are and then specific structures to engage with stakeholders around those issues, is both helpful to the company in terms of pushing and improving its own performance, but also adds an element of ongoing learning, and in some cases assurance of the company's performance.

I think in the area of public-private partnerships or community partnerships, multi-stakeholder partnerships and they're called different things, I think there is going to be a growing interest on, as I said earlier, how those partnerships are structured and governed. And the vast majority of corporate citizenship and sustainability reporting that one sees and reads -- a company will mention it's got a partnership with a particular organization, and sometimes it's given a page. But there's often very little given to how the partnership is actually structured, how it's funded, how it measures its impact, who its own stakeholders are. And Accountability has been doing some interesting work on partnership governance and looking in more detail at how partnerships are structured.

And I think as more and more companies engage in strategic partnerships, as your company is doing, and indeed obviously many others, being able to describe those partnerships in more detail and account for those partnerships in more detail, both to internal stakeholders as well as external stakeholders, will be important.

So I think just to summarize, I think it is valuable to have a systematic approach to stakeholders. I'm not sure one needs to have a written policy, but I think one needs something beyond a statement that we want to engage with stakeholders to demonstrate that one's done a stakeholder analysis or mapping, and also that there are at least some structures in place to make that stakeholder engagement a more regular, systematic process and a process that's easier to assess performance of over time.

Reeta Roy: I'll just add a couple of comments to that about stakeholder engagement and perhaps an example at the company. Certainly for us, it's really important to hear directly, unfiltered, from patients and patients who are using our medicine. And in the area of HIV/AIDS, we have a concerted, structured, routinized way of reaching out and hearing from patients who are on our medicines, or on other treatments related to HIV/AIDS; where we get good feedback in terms of how well they're doing on these medications, some of the issues they face, whether it's the side effects, as well as their broader concerns about the infection rates in a variety of communities, be it in the Latino community, in the African American community or their concern about access to treatment in the developing world.

It's incredibly helpful to hear directly. It's extremely informative. It's oftentimes very challenging, but it's part of the process for us to be sensitive to the needs of patients and it's very, very helpful in our decisionmaking. I have another question here, and it's again about the research, and I'm going to direct it to Stan. What is Abbott doing about neglected diseases such as sleeping sickness, malaria or Guinea worm?

Stan Bukofzer: Thanks, Reeta. Clearly, we all know in the world today that there are these neglected diseases that affect millions of people worldwide, and other examples could include malaria and tuberculosis that you didn't mention. And I think it's important to refer back to statements that Jane made that one should probably not dabble in areas where one does not have expertise.

And, unfortunately, Abbott does not have core research capability in some of these neglected areas. That said, we certainly try to leverage whatever expertise we do have, to help others to advance solutions for these areas. Now, let me give you an example of that. Abbott, for instance, has a manufacturing capability to manufacture [artemisinin], which is a drug that would be very useful in treating malaria and complicated forms of malaria. And we've leveraged our scientific expertise to manufacture some of this drug and related to the One World Health [inaudible] who are trying to develop low-cost alternatives to malaria therapy that is available today.

Another example is, I know that discussions have taken place with people from the WHO, to see whether we can create a GMP process for manufacturing [bulk] artemisinin. And perhaps the third example that I could give, is that we have leveraged, or we've provided our own intellectual property, to Global Alliance for TB Drug Development. And in that way, while we don't have particular expertise in the area, we've given what we can to help these millions of people suffering from this disease.

Jane Nelson: And if I could add to that, I mean, it seems to me that this is an area where there's opportunity for increased collaboration within the healthcare industry with other partners, where different companies have expertise in different areas and your former organization probably already has this database available. But actually all of the healthcare companies being willing to work together with WHO and some of the major public health providers, the Gates Foundation and others, looking where the core

competencies are in the entire system for neglected disease and then finding innovative sort of co-resourcing or co-financing or coinvestment models to address some of those diseases wherever the core competencies are, I think could be an interesting industry-wide area to look into in more detail.

Reeta Roy: Thank you, Jane. We have a question here which I'm going to try and summarize, because its' fairly lengthy. It says that one of the areas which was not mentioned in terms of disclosure is, how companies in your sector compare themselves in terms of their financial performance, and whether Abbott compares our corporate sustainability reporting to how others in our industry are doing.

I'll take that question. Our first performance we absolutely follow very closely, financial performance in our peer set. And I can assure you, our financial performance is followed very closely by the analyst community. In terms of sustainability reporting, we regularly benchmark our performance, our reporting, everything from how we convey our information simply and make it consumer friendly, to a lot of the leading reports in the industry within our industry sector and outside of our industry sector.

And there's an opportunity as well for us to learn quite a bit. We engage in a number of forums, and I mentioned a couple of them earlier, such as the Boston College Center for Corporate Citizenship. We work with organizations like Jane's, as well as Business for Social Responsibility. We also participate in SustainAbility's annual review, or biannual review, excuse me, of engaging stakeholders, where a whole series of questions around reporting, credibility assurance, get reviewed.

And again, it's another powerful learning forum in terms of benchmarking how we are reporting vis-a-vis others. There's one other question here, and Jane, you might like to chime in. And Stan, or anyone else, is free to chime in. It's a question with regards to how do we tap the intellectual capital outside of our company to drive innovation? And I presume by the question the person means, how do we tap in resources, whether it's in the academic community, from the public policy community, to help us think about innovation?

Stan, would you like to maybe comment of how perhaps you work with academic institutions?

Stan Bukofzer: Certainly. I think we absolutely do try and work with academic institutions worldwide, and that's not just in the U.S. From a scientific perspective, we monitor development, see where we can access partners, where we can leverage our expertise with partners, to further the developments of medicines.

Now, from time to time, we of course have a website, you will notice that we have collaboration agreements that get announced. And in fact just in the last few days I think a collaboration agreement was announced with Dharmacon, which is a chemical manufacturer, but largely involved in the very unique, new field of RNA research. And this is a field of new technology that we are actively participating in. And by

collaborating with them we are hopeful that both parties will benefit, with the final result being medicines that will be available for people around the world.

Reeta Roy: Thank you. I'll just add that we absolutely work with a number of different organizations within our industry and outside of our industry, and again, in different forums, because there's a great deal of intellectual capital to be tapped about where innovation is going to come from in the area of sustainability in terms of citizenship reporting, or the broader questions which companies like ourselves have to address around access to medicine or the environment.

We look to a lot of academics, as well, who are contributing to the literature in the field, and we look to [practitioners] in the field in terms of stimulating our thinking and pushing us, in many cases, stretching our thinking about what else we could be doing. Jane, would you like to add a few thoughts?

Jane Nelson: Yes, I think just to add to that, and I'd like to also say something on the benchmarking. But I notice we have Environmental Defense on the call, and I think they give a great example, [of you] having worked with a number of companies, to help companies think in totally different ways and different models for dealing with specific environmental challenges. And I do think, in addition to academics, as you say, there's a link with practitioners, Reeta, including non-governmental organizations, around specific areas. There's just enormous potential that I think we're only beginning to appreciate when it comes to sort of new types of innovation, new types of business models, new types of problem solving.

And I think the more and more it's focused on around a particular challenge, be it a healthcare challenge or environmental challenge or socioeconomic development challenge, the greater the ability is to bring in the right combination of both academic, but also practitioners, non-governmental and other practitioners to the business resources. So I think that is an area where there's just so much more potential for growth and development, which we're only just beginning to appreciate.

I think one of the biggest trends I'm seeing in the corporate citizenship field, as well as moving beyond the do-no-harm mindset of corporate citizenship, which remains absolutely critical, so don't get me wrong. But to a much more sort of innovation opportunity space, where one's sort of thinking, okay, we've got to make absolute [minimum] sure we're legally compliant, we're managing risks, we're managing reputation risks, we're not causing any negative impact, but how can we partner with others to actually innovate in totally different ways?

And I think there's both opportunity for product innovation. I think there's opportunity for process innovation, and I think there's opportunities for sort of systemic, institutional innovation. And the best way to achieve that is bringing in external intellectual capital, which helps nontraditional thinking, that companies like any other organization tend to get sort of focused on a particular way of thinking. So, I think that is a very exciting new area of corporate citizenship and of new types of partnership.

I also just want to go back and make one comment, if you don't mind, on the report benchmarking. I do think -- it's not really about benchmarking, but I do think an area where Abbott and indeed most companies can also improve when they come to their external reporting, is a stronger link between their annual reports, their financial reports, and their sustainability and corporate citizenship reports.

It's amazing how often there's sometimes a sort of superficial visual link between the financial and sustainability or citizenship reports, but I don't think enough integration, and I know there's also legal issues that need to be taken into consideration there. But I think the opportunity to have more integration between financial and broader corporate citizenship reporting is going to grow in the coming years.

Reeta Roy: Thank you, Jane. I think there's time for one more question, which has just popped through, and it's a question which is probably perfect for you, Stan. It's about what's our total R&D expenditure?

Stan Bukofzer: Okay, I think that the R&D expenditure for 2009 -- 2005, sorry [inaudible]. The R&D expenditure for 2005 was about \$1.8 billion, which is about 9% of our total expenses. Obviously, this is spread across the company in multiple areas, and across all forms of development, from the most basic molecules up to the [inaudible].

Reeta Roy: Jane, I know we're going to be running out of time soon, so I'm going to turn over to you to share any final thoughts.

Jane Nelson: I think the main comments I would say to sort of close is, I think that the bar is just going to continue rising, whether it's on the communication of results or the stakeholder engagements side, to sort of constantly improve performance. But I do think, as I mentioned just now, that sort of the most interesting new areas will be these new types of alliances to encourage and support innovation. In your particular industry sector and for countries such as yours, the growing both challenge, but also opportunity to get engaged in some of the more systemic challenges and dilemmas that face global public health generally. And finding new types of both dialogue, but also partnerships, to address those, which are going to be totally nontraditional and very, very different to how companies have operated in the past.

So I think we've just sort of seen the first stage of corporate citizenship emerging from the principled standards, corporate responsibility aspects of the company's role in society, all of which remain important and every company is going to have to remain vigilant on those and demonstrate that they're performing against, not only legal compliance, but norms and standards.

But I think there's opportunity for new types of innovation, and totally new types of engagement with nontraditional partners and nontraditional organizations, is the next big issue on the agenda, and getting more engaged and being able to articulate one's

engagement in sort of systemic change and public policy dialogue. I look forward to watching the progress both individually, and in the industry at large.

Reeta Roy: Thanks, Jane. You've, as usual, laid out a huge challenge. And I'll just close with a couple thoughts of our own in terms of the work ahead. I think as Jane's indicated, the challenge is only going to continue and to continue to grow. And as far as we've come, there's always so much more work to be done moving ahead. And our work clearly is going to be focused on continuing to integrate citizenship, decisionmaking and values throughout the company, continue to keep in touch with stakeholders in terms of what's most material to them, continue to look for solutions, continue to measure progress and absolutely continue to report and sharing what we learn.

I thank everyone for joining us today on the webcast, and I know we probably couldn't answer all of the questions, so if you have additional questions, please feel free to e-mail it to [globalcitizenship@abbott.com](mailto:globalcitizenship@abbott.com). There will be an audio replay and a transcript of the presentation available on our website sometime next week. And with that, I thank you all again for joining us, and I thank the operator, who will close out our call. Bye-bye.

Operator: Ladies and gentlemen, thank you for your participation in today's conference. This concludes the presentation. You may now disconnect. Good day.

