

Vote Bulletin: Pfizer Inc.

Company	Pfizer Inc. (NYSE: PFE)
Market and Sector	United States/Healthcare
Meeting Date	22 April 2021
Key Resolutions ¹	Item 4: Require an Independent Board Chair Item 5: Report on Political Contributions and Expenditures Item 6: Report on Access to Covid-19 Products
Key Topics	Board quality and effectiveness, corporate lobbying disclosures, corporate strategy
Board Recommendation	The board recommended voting AGAINST these items
BlackRock Vote	BlackRock voted AGAINST Items 4 and 6, and FOR Item 5

Overview

Pfizer Inc. (Pfizer) is a U.S.-based pharmaceutical company which engages in the discovery, development, and manufacture of healthcare products, specializing in medicines, vaccines, and consumer healthcare.

BlackRock Investment Stewardship (BIS) has engaged with the company for several years to discuss corporate governance issues that we believe drive long-term shareholder value, including corporate strategy, the management and board oversight of climate-related risks, sustainability disclosures, human capital management, social risks and opportunities, and board quality and effectiveness. Most recently, we engaged with the company to discuss the issue of access to medicine.

Rationale for BlackRock’s Vote

Item 4: Require an Independent Board Chair (AGAINST)

BIS voted against this proposal because the company has a strong Lead Independent Director with responsibilities that support board effectiveness and we currently have no concerns about the overall independence of the board.

As discussed in our [market-level voting guidelines for U.S. securities](#) and [Global Principles](#), we believe that independent leadership is important in the boardroom, and that the board is able to fulfill its fiduciary duty when there is an independent, senior non-executive board chair or, where the chairman is also the CEO (or is otherwise not independent), a strong Lead Independent Director. BIS will look to support the board in the structure of its choice, so long as we have confidence that the Lead Independent Director is appropriately challenging management and demonstrating independence. In the case of Pfizer, we have had regular

¹ Pfizer Inc., “Notice of 2021 Annual Meeting and Proxy Statement”.

engagement with the company and found the board to have robust risk management oversight and to be appropriately engaged on the material risks and opportunities to the business. We do not have current concerns regarding the engagement of the Lead Independent Director, nor with his, or the board's broader ability to express points of view independent from management at this time. For these reasons, we voted against this proposal.

Item 5: Report on Political Contributions and Expenditures (FOR)

BIS supported this proposal to underscore the importance of this subject and to encourage incremental improvements to the company's current political contributions and expenditures disclosure.

The shareholder proposal requests that the company publish an annual report "analyzing the congruency of political and electioneering expenditures during the preceding year against publicly stated company values and policies."² While BIS has historically been supportive of Pfizer's transparency, we also see value in increased disclosure on political activities – particularly in the wake of the recent political climate in the U.S., as well as around the COVID-19 vaccine, among other factors.

Currently, Pfizer meets many of our expectations for corporate political spending oversight and disclosure as articulated in our commentary on [our perspective on corporate political activities](#). This includes the company having articulated political spending and lobbying policies and practices, as well as clear board oversight of both. On disclosure, the company publishes an annually-updated itemized list of payments made to leadership political action committees (PACs), trade associations, and party committees, and discloses a list of major trade association memberships.³ The company has clearly stated values and principles that underpin its participation in the corporate political process, such as its purpose to discover, develop and deliver "[b]reakthroughs that change patients' lives."⁴

However, we believe this proposal provides an opportunity for the company to address minor gaps in its current disclosure. For example, we believe that shareholders would benefit from further details on how the company has differentiated between organizations it contributes to, and those that it does not, particularly with regard to 527 and as 501(c)(4) organizations.⁵ It appears the proponent of the proposal may misunderstand Pfizer's approach which provides the company an opportunity to clarify its position. Additionally, we believe shareholders would also benefit from greater insight as to how the board assesses any material gaps that may arise between the company's key policy positions and those of the major trade associations in which it is active. This includes not only how the company monitors the positions taken by trade associations in which they are active members for consistency but also to provide an explanation where inconsistencies exist. While we recognize that corporations are well served by participating in the political process, and that the company discloses that it does not ascribe to the positions of all associations in which it participates, enhancements to the company's current reporting will serve to enhance the trust of the broader market in the company's already robust oversight processes and articulated corporate values.

Item 6: Report on Access to COVID-19 Products (AGAINST)

BIS voted against this proposal because the company already provides sufficient disclosure regarding its COVID-19 vaccine, including publicly stating that it has not received public financial support for its development, and due to the ongoing nature of the COVID-19 crisis, we have confidence the company will continue to update its disclosures as the situation evolves.

² See previous footnote.

³ See The Pfizer [PAC and Corporate Political Contributions Report](#)

⁴ See DEFA14A (proxy) at 101.

⁵ See previous footnote.

The shareholder proposal asks the board to report “on whether and how receipt by Pfizer or its business partners of public financial support for development and manufacture of a vaccine or therapeutics for COVID-19 is being, or will be, taken into account when making decisions that affect access to such products, such as setting prices.”⁶

Pfizer has played a leading role in the vaccine development for COVID-19. The company publicly stated that it did not receive any funding from the U.S. government for the development of its COVID-19 vaccine and Pfizer participated in Operation Warp Speed through the federal purchase of doses only.⁷ The U.S. government, however, would not have been obligated to pay Pfizer if the company had been unsuccessful in developing and delivering an FDA-authorized vaccine. In addition to agreements with the U.S. government and other countries globally, Pfizer and BioNTech (the company’s vaccine development arm) have signed an advance purchase agreement with COVAX, a global initiative to provide equal access to COVID-19 vaccines to all countries regardless of income levels, for up to 40 million doses of its COVID-19 vaccine in 2021, subject to the execution of additional agreements under the COVAX structure.⁸

In its corporate disclosures, the company discusses its response to COVID-19, including manufacturing and supply chain considerations, clinical trials, and vaccine liability.⁹ With regard to access and patients in need, the company states that it is “working with governments, international NGOs, and U.S.-based not-for-profit organizations to respond to the pandemic by donating medications and vaccines and working to support frontline health workers.”¹⁰ The company has committed \$40 million in medical and charitable cash grants “to help combat the global health effects of the COVID-19 pandemic in the U.S. and around the world.”¹¹

On balance, BIS believes that the company has demonstrated transparency during this ongoing crisis and the board has demonstrated sound oversight of matters related to access to medicine. For these reasons, we do not believe that supporting this proposal is necessary at this time. We expect Pfizer to continue to update the market regularly as the situation evolves, and to provide assurance regarding continued access to the company’s products for those in need.

⁶ See previous footnote.

⁷ See See DEFA14A (proxy) at 103.

⁸ See See DEFA14A (proxy) at 103.

⁹ See <https://www.pfizer.com/health/coronavirus/how-pfizer-is-responding>.

¹⁰ See previous footnote.

¹¹ See previous footnote.

About BlackRock Investment Stewardship (BIS)

BlackRock Investment Stewardship (BIS) plays a key role in our fiduciary approach. As an essential component of our responsibility to our clients, we engage with companies to advocate for the sound corporate governance and business practices that drive the sustainable, long-term financial returns that enable our clients to meet their investing goals.

Our approach is from the perspective of long-term, minority shareholders in public companies on behalf of our clients. We look to boards and executive management to serve the interests of long-term shareholders and other stakeholders. Our active and ongoing dialogue with the leaders of these companies gives us a valuable perspective on their long-term strategies, financial performance, and the business challenges they face.

As stewards of our clients' assets we have a responsibility to make sure companies are adequately managing and disclosing environmental, social and governance (ESG) risks and opportunities that can impact their ability to generate long-term financial performance – and to hold them accountable if they are not. Engaging with companies is how BIS builds an understanding of a company's approach to governance and sustainable business practices, how we communicate our views, and how we ensure companies understand our expectations. If a company falls short of our expectations and we have been given the authority to vote the company's shares, we would hold them accountable by voting in the best long-term economic interests of those clients that have given us proxy voting authority. As detailed in our [Global Principles](#), proxy voting involves logistical issues which can affect BlackRock's ability to vote such proxies, as well as the desirability of voting such proxies. As a consequence, BlackRock votes proxies on a "best-efforts" basis.

We are committed to transparency in our stewardship practices. Our vote bulletins provide detailed explanations of key votes relating to a range of business issues including ESG matters that we consider, based on our [Global Principles](#), [market-level voting guidelines](#), and [engagement priorities](#), material to a company's sustainable long-term financial performance. We publish select vote bulletins after the shareholder meeting to provide transparency for clients and other stakeholders into our approach to the votes that we believe require more detailed explanation.

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