

EOS Case Study

February 2021

Pfizer

Pfizer has published its first climate report in line with the recommendations of the TCFD, as well as making improvements to its board gender diversity and setting new diversity and inclusion goals for the organisation. EOS continues to engage with the company, including on its active role in the response to the pandemic through the development of a vaccine.

Background

The current pandemic has highlighted the problematic relationship between humans, nature and the environment. Moreover, the Intergovernmental Panel on Climate Change highlights that climate change will likely have severe negative effects on human health¹, including increased risks of food-, water- and vector-borne diseases. Yet often we do not see companies in the pharmaceutical and healthcare sector recognise this climate risk to human health in their business planning, which includes the opportunity to help develop drugs to tackle new forms of disease.

We have been engaging with Pfizer to encourage it to improve its climate change response and associated disclosures, including building on existing greenhouse gas reduction goals which came to term at the end of 2020. In addition, we have been engaging to increase the gender diversity on the board and for improvements in broader workforce diversity and inclusion.

Our engagement

As part of our ongoing dialogue with Pfizer and over the past five years, we have discussed the company's environmental initiatives and climate change strategy. In 2017 during discussions with the corporate secretary, we suggested that the company should consider reporting in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). This was to build on its existing CDP disclosures, and provide evidence of improving leadership on climate change, since it became the

¹ https://www.ipcc.ch/site/assets/uploads/2018/02/WGIIAR5-Chap11_FINAL.pdf

Engagement objectives:



Environment:

Reporting against TCFD recommendations



Governance:

Board gender diversity

Sustainable Development Goals:



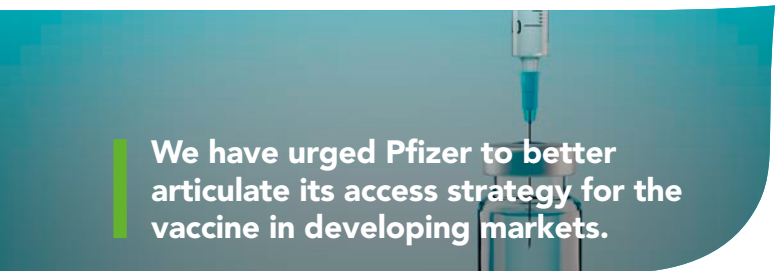
Company overview

Pfizer is one of the world's largest pharmaceutical companies. Through the application of science and global resources, it brings therapies to people that extend and significantly improve their lives through the discovery, development, manufacture and distribution of healthcare products, including innovative medicines and vaccines. The company's focus areas include: internal medicine; inflammation and immunology; and vaccines and oncology.

first company in the pharmaceutical sector to have its current greenhouse gas reduction goal recognised by the Science Based Targets initiative in 2015. In particular, we believe that the pharmaceutical sector as a whole has not fully considered the potential impacts of climate change risks and opportunities on human health and subsequently business strategy due to shifting disease patterns as the climate changes.

In 2019, we supported a shareholder proposal on enhanced lobbying disclosures and encouraged the company to consider how its trade association membership and activity aligns with its climate change ambitions. We reiterated this request during a meeting with the head of environment in early 2020, as well as encouraging Pfizer to consider setting more ambitious carbon reduction targets beyond 2020 as it looks to establish its next generation goals. The company responded that its participation as a member of various trade groups and organisations does not imply that it always agrees with the positions held by these organisations on a variety of issues. If concerns should arise, the company will handle these privately with the organisation.

In addition to our engagement on climate change, we first raised concerns about the low levels of gender diversity on the board in 2018 when there were only two female directors (17%) on the board. The company explained that gender diversity on the board is a priority, but it was finding it difficult to find the right female talent as it was targeting current or former CEOs, and candidates with scientific or technology expertise. We reiterated our view that the company should look beyond this narrow talent pool to candidates with more diverse backgrounds. We also sought to improve diversity and inclusion throughout the organisation by encouraging the company to first set goals for gender and ethnic minority representation, as well as disclosing detailed workforce composition data.



We have urged Pfizer to better articulate its access strategy for the vaccine in developing markets.

We have also been engaging with the company on its response to the coronavirus pandemic, focusing on the development of its vaccine. During our discussions we have sought to understand how it is considering pricing and access for its Covid-19 vaccine. Whilst it has yet to make any firm pricing commitments, it stated that it will not be priced on a not-for-profit basis as it has fully funded its own research and development (R&D), rather than receiving government support. The company stated that the first contracts for access are with the US and EU, and that it will apply its existing access to vaccines techniques for developing market access using partnerships and donation models.

We have urged Pfizer to better articulate its access strategy for the vaccine in developing markets, using its expertise from existing work on access to medicines. Moreover, as the current pandemic may be accelerating the existing threat of antimicrobial resistance (AMR), including through widespread antibiotic use to manage secondary bacterial infections in Covid-19 patients, we have continued to engage on how the company is considering the longer-term risk of AMR. We are pleased that Pfizer is still undertaking antibiotic R&D and is committed and invests in stewardship programmes to holistically address AMR. However, we remain concerned that the wider longer-term risk to human health, and subsequently the business and its portfolio from antibiotic resistance, is not sufficiently recognised by the company or considered at the board level.

Changes at the company

We are pleased that the company has now published its first TCFD report as part of its 2020 annual review. The report builds on existing CDP disclosures which the company has been making for a number of years. It acknowledges that climate change represents a significant risk and opportunity for the business and states that it is preparing for the impact of climate change as part of its business strategy, in order for it to continue to deliver on its purpose. As part of the preparation of the TCFD report, the company evaluated climate-related risks and potential opportunities and is currently evaluating how the results of this can influence business strategy moving forward. We are also pleased that the company has also now set a longer-term climate goal, committing to become carbon neutral across its operations by 2030, as well as committing to use its influence to catalyse similar reductions across its value chain.

Additionally, in early 2020 the company appointed two more female directors with diverse backgrounds in science and education, and civil society taking the total to four (33%). Furthermore, the company set its first public goals in 2019 to increase female and ethnic minority representation at senior levels within the organisation so that by 2025, 47% of vice president roles and above will be filled by women (globally) and 32% by minorities (US). In line with our expectations of US companies, Pfizer has also committed to publish its government-submitted EEO-1 report on gender and ethnic minority composition data on the workforce, by level, in 2021. The company has also explained to us that it is working to build out its wider human capital management disclosures in 2021.

Next steps

As part of our ongoing engagement, we will continue to push the company to improve its lobbying and political activity transparency, as well as encourage further ambitions around diversity and inclusion within the organisation by setting representation goals below senior management.

We will continue to monitor the company's response to the pandemic and encourage it to make clearer pricing and access commitments for its vaccine, particularly in developing markets. Furthermore, we will continue to engage with the company on AMR and seek to understand how the board and management assess, oversee and manage this longer-term risk.



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This case study has been fact-checked by Pfizer to ensure a fair representation of EOS work carried out and changes made at the company.

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