

Pfizer

Following over two years of engagement on public policy disclosure, Pfizer in response to investor feedback, has published a report titled "Industry associations – Report on incongruencies." With this disclosure, Pfizer is leading peers in this area by providing investors more transparency into how the company's public policy positions are aligned with the trade associations of which it is a member.

Background

Political and lobbying activities should be linked to a company's purpose and strategic objectives. Investors need reassurance that the expenditures and activities made to or with a third-party organisation are aligned with their long-term interests and the stated public policy positions of the companies of which they are shareholders. We expect companies to describe their governance approach to both direct and third-party lobbying and how the company addresses disagreements between itself and third parties or political representatives which it supports.

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We have engaged with Pfizer Inc. on enhancing transparency around its trade associations since 2019. Although Pfizer had improved its transparency on lobbying and political activity, it faced significant pressure to explain its engagement with trade associations in instances where public policy objectives may differ from its own. This is a less than disclosed area of activity across the market and we had concerns that indirect lobbying and political activity may contradict the company's stated positions, particularly on climate change and drug pricing.

Political expenditures and lobbying activities have been an area of increased focus in our engagement with Pfizer since April 2019.




Engagement objectives:

 **Strategy, Risk and Communication:**
Lobbying disclosure

Sustainable Development Goals:



Top three successes:

-  Pfizer published a report describing the alignment of its public policy positions with those of its five most significant trade associations.
-  The report describes the positions of the company and each of the five trade associations across six areas of key public policy and ESG significance.
-  This disclosure also states that if an organisation's misalignment is egregious, and the membership benefits to the company and its stakeholders are outweighed by the misalignments, it will reduce or end its involvement with the organisation.

Our engagement

Political expenditures and lobbying activities have been an area of increased focus in our engagement with Pfizer since April 2019. Following an engagement to discuss the 2019 proxy statement, we sent examples of what we found to be best practice at that time and supported a shareholder proposal requesting a report on lobbying payments and policies. The proposal aligned with our expectations and ultimately received 29.5% support from shareholders.

During a meeting with the corporate secretary in February 2020, the company acknowledged our concerns and those raised by other investors on the topic, and indicated its plan to update its disclosures later in 2020. We again supported a shareholder proposal at its 2020 annual shareholder meeting requesting a report on lobbying payments and policies which identified a gap in reporting on the differences between the company's lobbying positions and its stated policies, goals, or other public positions.

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In April 2021, we supported a shareholder proposal requesting a congruency report analysing the company's political expenditures against company values and policies, which received support from 47% of shareholders. This indicated growing investor concern in this area when compared to a different 2019 proposal focused on lobbying activities, which received 29.5% support, in comparison.

We maintained that the company should expand its policy to clearly state that, firstly, the company makes its position clear within trade associations and secondly, the company has a process for escalating concerns within the trade associations. Beyond the policy, we also advocated for public disassociation when the position held by a trade association misaligned with the company.

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We met with the head of sustainability and investor relations in June 2021 to provide feedback on its ESG disclosures, which we acknowledge had improved, but expressed disappointment that lobbying did not feature prominently in the report. In September 2021, we further encouraged inclusion of lobbying activities and alignment with trade organisations in its reporting. We encouraged it to initially focus on the biggest, most influential groups.

Changes at the company

In December 2021, the company published its Industry Associations – Report on Incongruencies¹, a gap analysis detailing the alignment of its public policy positions with the positions of its most significant trade associations across six areas of key public policy and ESG significance for the company: Climate Change; Patient Access to Healthcare; Trade; Tax; Diversity, Equity, and Inclusion; and Civic Integrity.

¹ https://cdn.pfizer.com/pfizercom/Gap_Analysis_Final_121521.docx

The company monitors where and to what extent its trade associations are misaligned with the company on these issues.

The company monitors where and to what extent its trade associations are misaligned with the company on these issues and, where possible, engages with the trade association to come into alignment. The report also states that if an organisation's misalignment is egregious, and the membership benefits to the company and its stakeholders are outweighed by the misalignments, it will reduce or end its involvement with the organisation.

At least annually, the company's US government relations team provides the board's governance & sustainability committee with a report regarding the company's public policies activities, including an overview of the benefits derived from the company's association with certain trade and other organisations.



Next steps

We consider this a strong example for other companies in the sector to follow. We continue to encourage Pfizer to expand upon this publication by disclosing the threshold where it might consider leaving a trade association due to misalignment and lack of engagement progress, ideally with an example of when it has exited an association. In addition, access to medicine and mitigating antimicrobial resistance are two of our highest engagement priorities in the pharmaceutical sector.



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



Jaagrit Randhawa
Engagement
EOS

Federated Hermes

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