



GOVERNANCE

HIGHLIGHTS

Revised *Corporate Governance Principles* to provide that the Board will annually elect a Chairman of the Board, who may or may not be the CEO.

Updated Lead Independent Director Charter to better reflect responsibilities of this position.

Amended bylaws to give shareholders ability to call special meetings.

Redesigned executive compensation program to align our practices with our pay for performance philosophy as well as our shareholders' interests.

Board Governance

Pfizer is governed by a 14-member Board of Directors. All are independent except Jeff Kindler, our Chairman and Chief Executive Officer, and William C. Steere Jr., Pfizer's Chairman Emeritus since 2001. Pfizer holds annual elections for directors, in connection with which the Corporate Governance Committee reviews the qualifications of all directors, evaluating skills and talents to assure a balance of disciplines and perspectives. The Corporate Governance Committee also seeks to further enhance the Board through gender and ethnic diversity.

Pfizer's Board of Directors follows a set of *Corporate Governance Principles* and conducts an annual review to assure that the Principles are timely and effective, and supports the Board's oversight and accountability on behalf of shareholders.

With a keen awareness of the importance of independent oversight on behalf of shareholders, the Board voted in early 2009 to remove the presumption that the role of Chairman of the Board would be held by the Chief Executive Officer. Instead, the Principles now provide that the Board will annually elect a Chairman of the Board, who may or may not be the CEO. If the individual elected as Chairman of the Board is the CEO, the independent directors will also elect a Lead Independent Director whose

The current financial crisis has brought more scrutiny than ever before to the governance of corporations. At Pfizer, we have long understood the importance of good governance to our ability to operate as a trusted member of society. That's why we established a corporate governance department in 1992—the first in a U.S. company—and why we seek to ensure that good governance and responsible business principles are rooted in the culture and values of our organization and the way we do business every day.

responsibilities include calling meetings of the independent directors and presiding over executive sessions of the independent directors. To better reflect these responsibilities, the Board also updated the Lead Independent Director Charter. Constance J. Horner is currently serving as Lead Independent Director.

The revised *Corporate Governance Principles* and Charter of Responsibilities of the Lead Independent Director are available on the *Corporate Governance* section of our Web site.

As part of its ongoing consideration of corporate governance issues, the Board amended Pfizer's bylaws to give shareholders the ability to call special meetings. Previously, only the Chairman and the Board could call special meetings of shareholders. The revised bylaws are available on the *Corporate Governance* section of our Web site. Our Board of Directors is taking a more active role in overseeing Pfizer's corporate responsibility agenda. Since Pfizer believes that our corporate responsibility efforts are an important aspect of our business success, the Board's Corporate Governance Committee receives semiannual corporate responsibility updates and provides direction on prioritization of corporate responsibility issues.

Executive Compensation

Executive compensation has become a principal topic of discussion for many of our stakeholders. At Pfizer, the compensation of our Executive Leadership Team (the CEO and the executive officers reporting directly to him) is determined by

the Compensation Committee. Specifically, the Committee has direct responsibility for establishing annual and long-term performance goals and objectives for the CEO and reviewing the goals approved by the CEO for the other members of the Executive Leadership Team.

Our current Chairman and CEO, Jeff Kindler, was elected to these positions in 2006. His compensation is set by the Compensation Committee and approved by the Board. Jeff Kindler does not have an employment contract, and his retirement benefits are based on the same formula as for other salaried employees.

In support of our philosophy to align the interests of the executive officers with those of our shareholders, Pfizer executives are required to own Pfizer common stock equal in value to a multiple of salary, ranging from at least five times salary for our CEO to at least four times salary for the other members of our Executive Leadership Team. Ownership must be achieved over a five-year period.

As a result of a comprehensive evaluation of our compensation programs and practices that commenced in 2007, including feedback from shareholders, the Compensation Committee has taken several actions to redesign elements of our compensation programs to assure that they (a) are aligned with our pay for performance philosophy and our shareholders' interests, and (b) are an effective tool to attract, motivate and retain executive management. Among other things, in early 2009, Pfizer implemented a new Executive Severance Plan for our executive officers. The new plan, based on Pfizer's broad-based severance program for U.S.-based employees, reduces severance levels,

2008 ACTIONS

ACTION	RATIONALE
Implemented a redesigned short-term annual incentive program.	To more closely align annual incentives with the achievements of Pfizer's financial and strategic goals, and to ensure that our executive compensation program is aligned with our pay for performance philosophy and shareholders' interests, and is also an effective tool to attract, motivate and retain executive management.
Implemented a redesigned, annual long-term incentive program for executives.	To promote the achievement of Pfizer's annual objectives during our transformation period while maintaining close alignment with our shareholders' return on investment.
Following a comprehensive review of executive severance practices and programs, eliminated existing change in control agreements and adopted an executive severance plan based on our broad-based severance program for U.S. based employees.	To reduce severance levels upon a termination of employment on a change in control, eliminate potential gross-ups on certain severance payments, and offer a consistent and competitive severance program.

eliminates potential tax gross-ups, and offers a consistent and competitive severance program.

Over the last year, the topic of giving shareholders a "say on pay"—a non-binding, advisory vote on executive compensation—has been widely debated in the business and investment communities as well as at the government level. At Pfizer's 2009 annual meeting, its shareholders approved, by a majority of the votes cast, a non binding proposal asking the Board of Directors to give shareholders an advisory "say on pay" vote. Because of Pfizer's direct engagement with its investor community about executive compensation and other important governance issues, the Board had recommended a vote against this proposal. However, the Board views the majority vote as an important message from shareholders and is committed to seeking the best course of action for Pfizer and its investors.

PUBLIC POLICY

Lobbying and Political Contributions

At Pfizer, we believe that public policy engagement includes defining and supporting policy positions that facilitate or improve our ability to do business in a commercially and socially sustainable manner. However, we recognize that it is important that our engagement is conducted in a legal and transparent manner.

Pfizer's lobbying and political contributions are guided first and foremost by federal and state lobbying registration and disclosure laws in the U.S. We also have a Corporate Procedure for Political Contributions by Pfizer Inc to ensure the company and use of its resources are in strict compliance with election laws and regulations around the world. The procedure restricts the use of Pfizer resources to support federal and state candidates, political parties and political committees.

We recognize that compliance needs to be supported by information. Pfizer reports regularly on lobbying expenses—in 2008, our total reported U.S. federal lobbying expenses were \$12,180,000. We also publicly disclose semiannually our corporate political and employee contributions made through the Pfizer Political Action Committee, a nonpartisan organization that provides opportunities for employees to participate in the U.S. political process. A full report is available in the *Lobbying and Political Contributions* section of our Web site.

Pfizer has also voluntarily signed onto the European Commission's new register of interest representatives in 2008. Through the register, we declared 2007 expenses related to interest representation of €750,000–800,000—broadly in line with other firms of a similar size.

Pfizer recognizes the importance to its shareholders of executive compensation and corporate governance practices. Consequently, Pfizer will continue to regularly consult with shareholders on both areas and seek continuous improvement in ways that will best meet the needs of its shareholders and business. For a detailed explanation of Pfizer's compensation philosophy, which is set by the Compensation Committee and approved by the Board, please see the Compensation Discussion and Analysis section of Pfizer's March 12, 2009, Proxy Statement.

→ READ MORE AT
WWW.PFIZER.COM/INVESTORS

Ethics & Compliance

Pfizer's Corporate Ethics and Compliance Program, established under the direction of our Board of Directors, supports the company's unyielding commitment to high standards of legal and ethical conduct. Through the program, our Corporate Compliance Officer and staff provide oversight and guidance to ensure compliance with applicable laws, regulations and company policies, and foster a positive, ethical work environment for all employees.

Ethical conduct starts with the Board of Directors at Pfizer, who follow the *Code of Business Conduct and Ethics for Directors*. Colleagues worldwide receive *Pfizer's Code of Business Conduct*, known as the "Blue Book," which explains Pfizer's commitment to maintaining high standards and performing with integrity. Blue Book training was completed by over 16,000 colleagues in the U.S. During 2009 and 2010, the new online training will be rolled out to colleagues worldwide. Pfizer's desire to have a best-in-class compliance program is an indicator of its dedication and commitment to integrity. We have invested significant resources to provide the most advanced training, auditing and monitoring systems worldwide.

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WWW.PFIZER.COM/RESPONSIBILITY

OUR VALUES

Pfizer's values distill our core beliefs and the defining features of our culture. Our values reflect the enduring character of Pfizer and its people. These values are:

- Integrity
- Community
- Performance
- Respect for People
- Innovation
- Leadership
- Customer Focus
- Teamwork
- Quality

Our values guide the actions of all Pfizer colleagues around the world and form the basis for our approach to corporate responsibility.

Interactions with Patient Advocacy Groups

Pfizer partners with patient advocacy organizations to support their programs and activities, such as health education and scientific research. This support takes many forms, including grants and charitable contributions for efforts that strengthen communities and work toward a healthier world. Partnering with these organizations allows Pfizer to better understand the needs of the patients who take our medicines, while helping the organizations inform and address the needs of those they serve.

Pfizer appreciates the need to provide information around these activities to alleviate stakeholder concerns. In 2008 Pfizer committed to reporting on all grants and charitable contributions to patient groups in the U.S. Pfizer is currently working with external stakeholders globally to determine the appropriate method and scope of disclosure worldwide, but because laws and rules vary from country to country, reporting will vary.

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In the U.K., as a member of The Association of the British Pharmaceutical Industry (ABPI), Pfizer is required to declare a list of patient organizations with which we have involvement and describe the nature of these partnerships. We actually go beyond this requirement, and declare our full relationships with these groups. In providing funding to patient groups, Pfizer's guiding principle is to ensure that the organization's independence is not compromised and there is no dependency on funding we provide. Therefore, when disclosing our contributions on our Web site we also provide an approximate percentage of each organization's revenue that is represented by our funding.

Details of Pfizer U.K.'s charitable and in-kind donations made through the Pfizer U.K. Foundation and local community funds to organizations other than patient groups, are published in a wide range of external documents which are distributed among local and national stakeholders.

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Human Rights

Pfizer strives to uphold human rights in all of our business activities. We fully support the principles in the Universal Declaration on Human Rights and the International Labour Organization Declaration on Fundamental Principles and Rights at Work. Pfizer is also a signatory of the United Nations Global Compact, and we have committed to support the 10 principles on human rights, labor, environment and anticorruption.

Since our last report, we have received increasing queries from stakeholders about our human rights practices. In an effort to be responsive and formalize our support for the above principles and many of our existing practices, we established a new Human Rights Statement in 2008.

Pfizer supports the idea that people have a right to health, and, while we believe that governments have the primary responsibility for ensuring the realization of this right, we acknowledge the unique role we can play in promoting this right as well. We have developed many approaches to improve the health of people around the world through access to medicines and strengthening health care systems for underserved people, which are described in the *Access to Medicines* section of this report.

We also work to ensure that human rights are upheld in our supply chain through our participation in the Pharmaceutical Supply Chain Initiative and our Supply Chain Responsibility programs described in the *Manufacturing & Supply Chain* section of this report.

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Litigation

Pfizer has reached an agreement with the Kano State government in Nigeria to settle Kano State’s claims arising from the 1996 Trovan clinical study, which was conducted during Nigeria’s worst meningitis epidemic in history. Under the terms of the settlement, Kano State will dismiss both the civil and criminal Trovan-related cases it filed against the company and various individuals, and Pfizer specifically denies any wrongdoing or liability in connection

with the 1996 study. Also in connection with the settlement, Pfizer has agreed to establish a Healthcare/Meningitis Fund from which study participants can receive financial support and will underwrite several healthcare initiatives chosen by the Kano State government that benefit the people of Kano State. For more information about the settlement reached with the Kano State government see the joint statement from Pfizer and Kano State posted on our web site.

The suits brought by the federal government of Nigeria are still pending but we continue to work towards an amicable resolution of those cases as well. Pfizer has been a partner with the people and governments of Nigeria for more than 50 years and believes that a mutually agreeable resolution of all of the Trovan cases is the best way to continue that relationship and allow Pfizer and the Nigerian governments to focus on what matters—improving healthcare for all Nigerians.

PUBLIC POLICY

Disclosing Grants for Health Care Education

Pfizer offers grants for independent continuing medical education (CME) intended to improve patient health status indicators through the provision of performance improvement strategies that integrate education, systems and quality.

A number of states in the U.S. have passed legislation that requires pharmaceutical companies to report marketing expenditures to the state. Pfizer supports disclosing funding for medical education grants and other support to medical and patient organizations as well as charitable contributions. Our policy is to fund only those CME programs that are administered through organizations that are engaged in

patient care or represent those who deliver patient care. These organizations are in the best position to achieve the highest recognized standards of quality in the medical profession today. We no longer directly support commercial CME organizations.

Finally in May 2008, as part of our effort to be more transparent about our collaborations with outside parties, Pfizer began disclosing all funding in the U.S. for medical education grants and other support to medical and patient organizations working to improve the health of patients.

STAKEHOLDER COMMENTARY

“Pfizer recognizes that listening to investors and stakeholders is a crucial part of good governance, and its staff and directors take the time to do just that.

The company has demonstrated its responsiveness by taking up requests by F&C and others to boost transparency of political contributions, and, more recently, broke new ground by reporting on its contributions to Patient Advocacy Groups. It also strives to produce compensation information that is truly useful to investors. However, the Board of Directors must not assume that dialogue can substitute for action. The Board’s response to two majority votes by investors in 2009 to introduce a so-called “say on pay” and to improve its special meetings provisions will be an important test of Directors’ accountability to the company’s owners.”

ELIZABETH MCGEVERAN

SENIOR VICE PRESIDENT, GOVERNANCE & SUSTAINABLE INVESTMENT, F&C INVESTMENTS

LOOKING FORWARD

Strong governance will continue to be an imperative at Pfizer. As we continue to expand globally and our supply chain becomes more diffuse, it will be important that our policies and support for colleagues be adapted to local needs and challenges around the world. Responsible business conduct lays the foundation for the rest of the company’s business strategies and corporate responsibility efforts, and we will continue our commitment to leadership in governance.