

### SAGE:

Sustainability Achieved Through Greater Engagement

### Calvert SAGE Strategies:

emphasize strategic engagement to advance environmental, social, and governance (ESG) performance on the part of companies that may not meet all of Calvert's Signature ESG criteria today but have the potential to improve.\*

## Pfizer

This company is a Calvert SAGE™ Strategy holding and is not eligible for investment in the Calvert Signature® Strategy portfolios.

Since 2008, Pfizer has been working to restructure and refocus its corporate responsibility efforts. On the whole, these structural changes have been positive, and the company is now significantly further down the path to be a best-in-class pharmaceutical company. However, the road forward has not been without challenges. In September 2009, Pfizer pleaded guilty to criminal and civil charges that it violated drug promotion laws. The company's settlement with the Department of Justice was the largest settlement of its kind and as a result, Pfizer has revamped its policies and compliance programs governing its sales and marketing efforts. The company has taken significant steps towards more transparency and accountability, but remains subject to annual government audits and oversight. Also in 2009, Pfizer completed its merger with Wyeth, whose product portfolio includes infant formula and Premarin (a hormone formulation derived from the urine of pregnant mares). Pfizer needs to strengthen its commitment to ethical marketing of infant formula in line with World Health Organization guidelines and increase transparency of how it ensures humane treatment of the mares used in the Premarin production process.

### PFIZER ADVOCACY OBJECTIVES

- Commit to and demonstrate emerging best practices for marketing of formula and add-on milk.
- Better align management and shareholder interests by linking a greater percentage of incentive pay to long term performance, extending the long term incentive performance period, requiring that executives hold on to a significant portion of shares for a period of time after their retirement, and explicitly link performance on sustainability and responsibility issues to incentive compensation.
- Report on implementation of the Calvert Women's Principles® (as an original supporter of the Principles) to demonstrate that the company is comprehensively addressing gender equality within its operations.
- Continue to enhance the company's access to medicines efforts in the developed and developing world, building upon the positive ranking increase in the 2010 Access to Medicines Index.
- Disclose and report on the implementation of standards to ensure the humane treatment of mares during and after the Premarin production process.

### ENGAGEMENT TOOLS APPLIED

- Direct dialogue with Pfizer management

### RECENT ENGAGEMENT

- On March 18, 2011, Calvert spoke with the Pfizer Corporate Social Responsibility (CSR) team and representatives from Pfizer's Premarin manufacturing business to learn more about the animal welfare impacts from manufacturing the Premarin drug line. The company provided information on the scope and scale of the Premarin products, as well as the programs in place to ensure humane

\*Calvert's Signature ESG criteria examine corporate performance across seven broad areas of concern: governance and ethics, environment, workplace, product safety and impact, human rights, Indigenous Peoples' rights, and community relations. For more information, please visit <http://www.calvert.com/sri-signature-criteria.html>.

treatment of the pregnant mares, whose urine is the main source ingredient to derive the chemical components of the drugs. Calvert and Pfizer discussed the potential for enhanced disclosure about animal welfare practices as part of Pfizer's overall CSR report; Calvert will continue to encourage the company to move in this direction.

- On December 13, 2010, Calvert spoke with the Pfizer CSR team and representatives from Pfizer's infant formula business to learn more about this specific business line. The company provided a general background of where it operates and its biggest formula markets. Pfizer also provided details on its programs to ensure product safety and quality, and to adhere to high standards of marketing for its formula products.
- On November 18, 2010, Calvert spoke with the Pfizer CSR and Governance teams to discuss overall governance practices at the company. The discussion was very productive and provided valuable insight into leading governance practices at Pfizer. Calvert discussed Pfizer's position on Say on Pay and encouraged the company to endorse an annual vote on executive compensation as well as linking a greater percentage of incentive pay to long term corporate performance.
- On November 11, 2010, Calvert met with senior executives at Pfizer headquarters in New York City, for the first full-scale comprehensive meeting with the company since it was designated an enhanced engagement target. Pfizer agreed to work on Calvert's agenda of objectives and participate in specific meetings to discuss steps the company could take to meet the SAGE objectives.
- On June 21, 2010, Calvert met via phone with a newly structured Corporate Responsibility team at Pfizer. Topics discussed included the recent merger with Wyeth, the criminal product marketing settlement, animal welfare issues surrounding Premarin horses, and infant formula marketing as well as the Calvert Women's Principles.