

July 18, 2012

Mr. William H. Gray III
Chair, Corporate Governance Committee
Corporate Governance
Pfizer Inc.
235 East 42nd Street
New York, NY 10017

Dear Mr. Gray

We write to you to express our concerns about the company's relationship with the American Legislative Exchange Council ("ALEC") and the Heartland Institute ("Heartland") and believe this involvement deserves the urgent attention of Pfizer's Board and management.

We are investors and advocates who are encouraging companies to be transparent regarding their political spending and lobbying expenditures, policies and oversight. As you are aware, the opportunity for increased corporate political spending in the aftermath of the 2010 U.S. Supreme Court *Citizens United* decision has prompted a widespread public debate on the role of corporations in the political process.

In recent years, investors and advocates have participated in hundreds of discussions with companies about best disclosure practices for political spending and lobbying. These discussions have included a focus on third party spending through trade associations, as well as payments to, and membership in, think tanks and tax-exempt organizations that write and endorse model legislation.

This year, membership in and contributions to ALEC and Heartland have come under special scrutiny. Since a primary objective of ALEC and Heartland is to influence public policy and legislation, investors and advocates are assessing company ties to these highly controversial and partisan organizations as part of their evaluation of disclosure of political spending and lobbying activities. Numerous companies have withdrawn membership and funding after deciding that their involvement was neither a prudent use of corporate resources, nor worth the risk to their brand and reputation.

Corporate reputation is an important component of shareholder value. According to a Conference Board study, companies with a high reputation rank perform better financially than lower ranked companies. Executives also find it is much harder to recover from a reputational failure than to build and maintain reputation.¹

¹ "Reputation Risk," The Conference Board, 2007, p. 6.

We write today because we understand that Pfizer is a member of both ALEC and Heartland. We question if these relationships expose the company to unnecessary reputational and business risk, associating the company with controversial public positions that include Stand Your Ground laws, anti-immigration legislation, denial of climate change and an aggressive attack on the Environmental Protection Agency. The company's public commitment to corporate responsibility is undercut by its involvement in ALEC and Heartland.

In our view, the risks of supporting these organizations outweigh the benefits. We are also skeptical that internal controls can adequately mitigate such risks. Thus we urge you to consider publicly withdrawing your membership and financial support from both ALEC and Heartland.

The reputational issues raised by ALEC and Heartland present an important opportunity for the Board to examine safeguards and processes in place to ensure that membership in and support for organizations that influence public policy do not undermine Pfizer's corporate reputation. Hence, we believe that the Board Governance Committee should initiate a comprehensive review of the business rationale and other criteria used to evaluate memberships in, or contributions to, major trade associations, political organizations, and think tanks and lobbying organizations starting with ALEC and Heartland. Board involvement provides important oversight as well as an independent perspective that can reflect investor interests and input.

We recommend that the Board take the following steps for each organization the company is funding:

- Review the philosophy, major objectives and actions taken by the organization;
- Assess the level of consistency between the company's stated policies, principles and Code of Conduct with those of the funded organization;
- Evaluate management's rationale supporting its involvement with the organization, with a focus on the long-term best interests of the company and its stakeholders;
- Determine if the relationship contributes to reputational risk and if there are other negative impacts on stakeholders.
- Assess current and potential internal controls regarding the use of corporate assets for these political purposes

We recommend that the Board share a summary of this review and its findings with shareholders. A number of companies have initiated reviews of the pros and cons of continuing these relationships and decided to end their ties. As noted previously, we believe such a review will show that the company's relationship with ALEC and Heartland presents significant reputational and business risk that merits the Board's focused attention and action. We look forward to your

response to this request. Please reply to Tim Smith at Walden Asset Management who will communicate with all of the signatories to this letter.

Sincerely,



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cc: Mr. Ian Read

Appendix: Companies Leaving ALEC and/or Heartland and Sample Press Coverage:

Corporations Cutting Ties with ALEC: *(as of July 10, 2012)*

PepsiCo	Kaplan
Coca-Cola Company	Scantron Corporation
Kraft Foods	Amazon.com
Intuit	Wal-Mart
McDonald's	Medtronic
Wendy's	Johnson & Johnson
Mars	Dell
Arizona Public Service	Best Buy
Reed Elsevier	John Deere
American Traffic Solutions	Hewlett-Packard
Blue Cross Blue Shield	CVS Caremark
YUM! Brands	MillerCoors
Procter & Gamble	

Corporations Cutting Ties with Heartland Institute: *(as of June 22, 2012)*

LKQ Corporation	Eli Lilly & Co.
Verizon	USAA
CUNA	Nationwide Insurance
Bayer Corporation	Allied World Insurance
GlaxoSmithKline	XL Group
Wisconsin Insurance Alliance	Renaissance ReService, Ltd.
BB&T	State Farm Insurance
PepsiCo	Diageo
Farmers Insurance	Assoc. Bermuda Insurers
General Motors	Amgen Corporation

The following excerpts from stories exemplify some of the controversies and risks relationships with ALEC and Heartland entail.

Florida's now-infamous Stand Your Ground law, which lets you shoot someone you consider threatening without facing arrest, let alone prosecution, sounds crazy — and it is. And it's tempting to dismiss this law as the work of ignorant yahoos. But similar laws have been pushed across the nation, not by ignorant yahoos but by big corporations.²

The corporations abandoning ALEC aren't explicitly citing the Stand Your Ground statutes as the reason for their decision. But many joined the group for narrower reasons, like fighting taxes on soda or snacks, and clearly have little interest in

² Paul Krugman, "Lobbyists, Guns and Money," New York Times, March 25, 2012.

voter ID requirements or the N.R.A.'s vision of a society where anyone can fire a concealed weapon at the slightest hint of a threat.³

Johnson & Johnson was smart to sever its ties to the American Legislative Exchange Council, a secretive political group that's become notorious for generating harmful legislation around the country. ... Other major companies, including Wal-Mart, Coca-Cola, Pepsi, Amazon and McDonald's, have already broken up with ALEC because they don't want their brands tarnished by its sloppy legislation and backroom methods. The group writes self-serving bills and feeds them straight to legislators (mostly Republican). It's less transparent than lobbying, and it's not surprising that the results often encroach on people's rights.⁴

"Worse ensued early this month after the institute put up a digital billboard in Chicago that linked belief in global warming to madness and terrorism. It depicted the 'Unabomber', a mass-murderer called Ted Kaczynski, with the slogan, 'I still believe in Global Warming. Do you?' The offending sign lasted only for a day. But PepsiCo, BB&T bank and Eli Lilly, a pharma company, are among donors that announced the end of their support."⁵

The publicity around the donors' list made it difficult for companies with public commitment to sustainability, such as the General Motors Foundation, to continue funding Heartland. The GM Foundation soon announced it was ending its support of \$15,000 a year. But what had been a gradual collapse gathered pace when Heartland advertised its climate conference with a billboard on a Chicago expressway comparing believers in climate science to the Unabomber.⁶

³ "Embarrassed by Bad Laws," New York Times, 4/16/12.

⁴ "Johnson & Johnson right to pull out of ALEC," The Star-Ledger, June 13, 2012.

⁵ "Toxic shock: A climate-change skeptic is melting," The Economist, May 26th, 2012.

⁶ Suzanne Goldenberg, "Heartland Institute facing uncertain future as staff depart and cash dries up," The Guardian, May 9 2012.