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PFE.N - Pfizer Inc to Discuss Board Oversight of ESG- Fireside Chat

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PRESENTATION

Caroline Roan - *Pfizer Inc. - Senior Vice President, Global Health & Social Impact & Chief Sustainability Officer*

Hello, and thank you for joining us today. I'm Caroline Roan, Pfizer's Chief Sustainability Officer and Senior Vice President of Global Health and Social Impact. I'm so honored to have the chance to share a few introductory words about Pfizer's work and commitment to environmental, social and governance issues. But first, please see our forward-looking statements disclosure on Slide 2, which is currently on the screen right now.

Forward-looking information is subject to risks and uncertainties, and additional information regarding forward-looking statements is available in our SEC forms 10-K and 10-Q under Risk Factors and forward-looking information and factors that may affect future results. Forward-looking statements on the webcast speak only as of the webcast original date, and we undertake no obligation to update or revise any of the statements.

Now, these past 20 months have shown us the importance of listening to all stakeholders and stepping up when society needs us to do so. But I want to stress that this commitment precedes the COVID-19 pandemic and has long been a part of the DNA of our company. In many ways, the how of how we do business is what comprises our ES&G strategy. But we know that in order to help address the biggest challenges of today and tomorrow that we all need to do more. That's why we're on an ES&G journey to more intentionally connect our purpose which is breakthroughs that change patients' lives with our ES&G efforts to better understand and address the needs of our patients, our colleagues, our partners, our shareholders and our global community.

Through our Purpose Blueprint, Pfizer's business strategy is directly linked to our ES&G efforts. How? Well, across the board, we are applying an ES&G lens to our decision-making, including how we care for our colleagues, how we invest our financial capital at risk, how we expand access to our medicines and vaccines or scale up our physical capital to meet the ongoing demands of communities around the world. Because we believe that companies that abide by core values, such as equity and courage and make ethical decisions that we will have a competitive advantage in the long run.

Today's discussion will focus on Pfizer's Board governance approach to ES&G and how we view ES&G's relationship to long-term value creation for our shareholders. And we see conversations like this as a new and exciting way to engage with all of you, the investor community around our ES&G work. So thank you again for taking the time to join us today.

Now let me hand it over to my colleague and friend, Maggi Madden, who is our Corporate Secretary and Chief Governance Counsel to introduce today's speakers and program. Maggi, over to you.

Margaret M. Madden - *Pfizer Inc. - Senior VP, Corporate Secretary & Chief Governance Counsel*

Thanks, Caroline. I'm Maggi Madden, Pfizer's Corporate Secretary. I'm pleased to introduce today's speakers. Rady Johnson is Pfizer's Chief Compliance, Quality and Risk Officer and Executive Vice President. Joe Echevarria has served on Pfizer's Board since 2015, and he serves as Chair of the Board's Governance and Sustainability Committee. Joe also serves on the Board of the Bank of New York Mellon, where he is Chairman of the Board and on the Board of Unum Corp. and Xerox Corporation. Both Rady and Joe share a passion for ESG and we are pleased to have them both with us here today. I'd now like to turn it over to Rady.

Rady A. Johnson - Pfizer Inc. - Executive VP and Chief Compliance, Quality & Risk Officer

Thank you, Maggi. I've been looking forward to today's discussion with Joe for some time now, the opportunity to catch up one-on-one on how the Board oversees ESG at Pfizer. It's an area of importance to Pfizer, our investors and other stakeholders. It's clear to me that our Board members are committed to ethics and integrity, which are fundamental components of ESG at Pfizer and consistent with our company values. It's about how we act as we innovate and deliver on our purpose and the impact that we have on society.

As a science-driven biopharmaceutical company, we're committed to advancing global health and improving the lives of patients. Now how we do things, not just what we do matters.

QUESTIONS AND ANSWERS

Rady A. Johnson - Pfizer Inc. - Executive VP and Chief Compliance, Quality & Risk Officer

So Joe, this leads my first question. First of all, it's great to see you in person after all this time. So thanks for being here. I've really been looking forward to the conversation. So let's jump right in, if I can. How have you seen ESG evolve over time at Pfizer during your time as a director?

Joseph J. Echevarria - Pfizer Inc. - Independent Director & Chair of the Governance and Sustainability Committee

Okay. Well, it is great seeing you in person. For me, it's been an interesting set of perspectives. I think if you look back over the last decade or so, I would say that ESG was more of a nuanced subject for a small set of investors or shareholders. Very specific to what individuals cared about. And it has moved to something that is far more all-encompassing. It really impacts the larger business framework that we occupy today. And people are much more passionate. I think if you went back a decade, there may have been interest, but there wasn't much decision to act on that interest other than dialogue.

And if you look at all the data, I mean all of it, it would suggest that the interest in acquiring is up to 70%, 80%, if they don't like what they see to any of the shareholder groups or investor groups or stakeholders. But the decision to act has moved up to 50%, 60%. And those actions are wide ranging, from dialogue to votes on seats, on comp and disinvesting. So it has really changed by a quantum over the last 10 to 15 years.

Rady A. Johnson - Pfizer Inc. - Executive VP and Chief Compliance, Quality & Risk Officer

Now it's here. It's become a big thing, and it's great that we're addressing it like we are. What surprised you the most about this transformation of ESG has become what it's become?

Joseph J. Echevarria - Pfizer Inc. - Independent Director & Chair of the Governance and Sustainability Committee

For me, I've got 4 kids, and they live in this new generation, and they believe differently. We go from millennials to perennials. That's my framing for baby boomers, perennials. It's kind of a better title perennials than baby boomers.

Rady A. Johnson - Pfizer Inc. - Executive VP and Chief Compliance, Quality & Risk Officer

You should write that down actually.

Joseph J. Echevarria - Pfizer Inc. - Independent Director & Chair of the Governance and Sustainability Committee

Write that down. Patent that. But in that time frame, there is much more interest around the broader environmental, social and governance issues than there was before. And watching to look for the nuance between the responsibilities we have. So breakthroughs that change patients' lives and value creation to the fact that there was a real famous politician, quite successful, who made a speech 50-plus years ago when he said, we all breathe the same air. We all occupy the same planet. We're all members of the human race. That is a powerful intersection that we are trying to sort through, and I think we're making great progress on that.

Rady A. Johnson - Pfizer Inc. - Executive VP and Chief Compliance, Quality & Risk Officer

That's wonderful. So Joe, the Board's ultimate fiduciary responsibility is to shareholders, always has been. However, companies, their management and their boards are increasingly committing to addressing the needs of multiple stakeholders, as you just alluded to. How has this evolution changed the focus of the Board when it comes to ESG matters themselves?

Joseph J. Echevarria - Pfizer Inc. - Independent Director & Chair of the Governance and Sustainability Committee

So picking up on that last theme, right. So if you think of the journey that it's taken over the last 15 or 20 years, I think what's happened is -- so we've sorted through -- and I'll get the number wrong, but it will be directionally right, 30, 40 different priorities, and we've sort of distilled it down to a half a dozen or so. And we've gotten very granular with those to the point where you've been issuing annual reports. I think 2020 may have been the last one, we're going to do '21 and '22 will be different. But the '20 was the first one. So if you take just a journey of those 3 years and you take what we're focused on, so 30, 40 ideas down to a handful that we're really going to get granular on.

It's a pretty wide spectrum, product innovation, quality, safety, access, pricing, diversity, equity and inclusion, climate change. Eventually, the SEC will enter into that environment. And we're reporting out on those things. Very specifically, we're holding ourselves accountable to it. Again, not just those, and while we are responsible to shareholders, we're responsible for a larger population of people today, and finding that nexus against that framework is what we're striving for.

Rady A. Johnson - Pfizer Inc. - Executive VP and Chief Compliance, Quality & Risk Officer

It's a good overview. And in terms of how the Board itself kind of divide and conquer and addresses these things. How is the Board building the capacity for allocating ESG accountability across the different Board committees? And what efforts have you undertaken to build expertise on the Board so that they're really in a position to address these?

Joseph J. Echevarria - Pfizer Inc. - Independent Director & Chair of the Governance and Sustainability Committee

First of all, the Board has not divided anything. Just write that down. We're not conquering anything either. We're advancing because there's a big interest in what committees have jurisdictional responsibilities over ESG. It doesn't fit perfectly into this committee structure. So management has done a terrific job of outlining the broader board oversight and parceling it out. It's actually easier to talk about the committees besides governance and sustainability, which is our committee that sort of sits over this. So if you think of the committee you participate a lot in regulatory and compliance. So innovation, quality, safety, sort of in that committee. The Audit Committee will eventually have jurisdictional responsibility over anything from the SEC.

The SEC is going to move to some sort of a framework and some MDA like that will be there. The Compensation Committee or the HCC Committee will always deal with matters of compensation as it affects diversity, equity, inclusion. We're looking at going to certain metrics that will be into the executive comp that will sit there as well. And then everything that's left falls into governance and sustainability, and that's the larger strategic framework. Whether that be political spending, lobbying activities, climate change, the larger talent management issue access, all of that will fall into the larger committee and there's a framework for that. It will be in the proxy. I'm sure this year, very similar to the way we do year-end.

Rady A. Johnson - Pfizer Inc. - Executive VP and Chief Compliance, Quality & Risk Officer

How does the Board think about its own expertise when it comes to ESG topics?

Joseph J. Echevarria - Pfizer Inc. - Independent Director & Chair of the Governance and Sustainability Committee

Well, we have a pretty good blend of skill sets on the board. Diversity in terms of all the things people typically think of. But we have a pretty good split between what I think of -- and I'm using our nomenclature here, those who sit more in the corporate setting, the commercial setting, so it's probably half the Board comes from that background. So they have broader skills and experiences, but we have half the board that comes from science and academia and research. We've added some terrific Board members over the last couple of years. So with the combination of those sets, the very classic commercial and corporate setting with the academia research and science and the end regulatory setting, whether that be the FDA or other organizations.

You bring a lot of insight into a process when you put those skill sets together because we all look at it a little bit differently. We come from our own personal lens. And the advent of having a balance like that, which has happened, I believe, over the last 2 or 3 years, I think has made us much more effective in all domains, but certainly in the notion of ESG.

Rady A. Johnson - Pfizer Inc. - Executive VP and Chief Compliance, Quality & Risk Officer

Very good. As Maggi introduced you, Joe, you've got a lot of experience, a lot of Boards other than Pfizer. So how has that experience in all the other professional roles that you've played as well-informed kind of your view on the ESG factors? And how do you bring that back into Pfizer and help shape what we do in our approach here?

Joseph J. Echevarria - Pfizer Inc. - Independent Director & Chair of the Governance and Sustainability Committee

Well, ESG is sort of relevant to all things. So if I take my financial services background, the notion of access and pricing means different things, but the concept is the same. Access to products in the financial sector, the cost and affordability in the financial sector, is just a different variant of what we do here in our side. But you watch it, the talent piece is identical. All things around people, completely identical, whether it's pay equity, around role opportunity or around pay structure that's identical. Whether it's the broader challenges that you have in community and the groups beyond the shareholders, that's identical. And so watching how different enterprises of scale approach it is the real learning.

And I myself, I come from the DEI initiative over time. So I'm in that equity, diversity and inclusion. So we bring a personal lens to it. So there's a lot of commonality to it because it's all about people ultimately and how we impact them. So it's -- to me, it's not dissimilar. It's much more similar.

Rady A. Johnson - Pfizer Inc. - Executive VP and Chief Compliance, Quality & Risk Officer

Very good. Joe, given that the shareholder and stakeholder interest continue to increase on ESG, how has the Board kept informed of these developments, the ESG-related trends, things that could impact the business and affect shareholders and the shareholder support for directors themselves?

Joseph J. Echevarria - Pfizer Inc. - Independent Director & Chair of the Governance and Sustainability Committee

I think from 2 places, more than 2, but obviously, the management team does an exceptional job of keeping us updated on the things that are very nuanced to the industry that we happen to be in here at Pfizer. We get regular reports, whether that's annually, quarterly at every Board meeting at every committee meeting. But more importantly, they give us line of sight into what's coming and how this is evolving. If you look at the way ESG has (inaudible) over the last year, there's a different level of maturity around the subjects. So let's take SEC and what it chooses to do,

that's very underdeveloped at this point, not very mature. Climate change is the most extreme. But that's just how the external environment is looking at.

So management does a terrific job of assessing that for us, explaining to us where it sits on the maturity curve and then what our response to that is. So we are far more advanced in how we think about safety, quality, access and pricing than the external environment is. So we do a real great analysis of that. And the team coaches us up, and we bring in our own perspectives from the diversity of backgrounds, whether it be personal or corporate or academia. So I think it's the nexus of those 2 things that kind of keep us on our game. And then, of course, in the end, shareholders and stakeholders. They're not bashful people. They keep us honest about this process.

Rady A. Johnson - Pfizer Inc. - Executive VP and Chief Compliance, Quality & Risk Officer

So a good analysis of just what's happening out there where a company might be where Pfizer is in all these issues and where we need to drive our focus, the gap analysis, if there is one.

So moving on the Compensation Committee, Joe, how is the Compensation Committee incentivizing the management team to focus on ESG factors? Is it part of their performance evaluation or compensation?

Joseph J. Echevarria - Pfizer Inc. - Independent Director & Chair of the Governance and Sustainability Committee

I think that's evolving. I don't think it is rooted in compensation at a granular level as compensation has gotten very routinized and it's very scrutinized, both of those things. I think this year, I could get my calendar years right here. So for 2022, I think we're going to start to evolve to put some ESG metrics into the compensation profiles regardless of what those might be. But that's a bit nuanced. It's been uncomfortable. When you start talking about people's compensation and parsing it out into different factors, when you start to put some of the ESG models in there, it's just a little uncomfortable. Some of the subjects are uncomfortable. And you start talking about D&I, it's an uncomfortable subject for some people.

When you start to talk about diversity metrics or equity metrics. Remember, equity is the notion that we don't all start from the same place, whatever that is. How do you measure that? What does success look like? Do you have targets? Do you have directional aspirations? Those are tough subjects. You include them in compensation, though because ultimately, it's about outcomes. And to get to outcomes, you've got to have a set of metrics which create a set of tactics which creates execution. But it's tough, but it's coming. It's coming.

Rady A. Johnson - Pfizer Inc. - Executive VP and Chief Compliance, Quality & Risk Officer

Thank you. How does ESG factor in during the Board's review of enterprise risk? You mentioned ERM earlier in the conversation. How much does the Board's oversight of ESG intersect with the Board's governance over critical business decisions themselves?

Joseph J. Echevarria - Pfizer Inc. - Independent Director & Chair of the Governance and Sustainability Committee

We talked -- we alluded to it a little bit before, because the way enterprise risk is managed on the Board structure is not dissimilar to the way ESG is. It falls in different places. The Audit Committee has primary jurisdiction over the overall enterprise risk but the committee you spent an awful lot of time in regulatory compliance spends time in it. So think of access and pricing, think of quality and safety. Those have ESG components. They have risk components. Think of some of the things we're going to talk about at the SEC. If the SEC moves to an MD&A model for ESG that has a disclosure component, which creates a risk component. So from my standpoint, there's quite a nexus between those 2. And the way we're approaching it, management and Board oversight is very similar, very similar and very important.

Rady A. Johnson - Pfizer Inc. - Executive VP and Chief Compliance, Quality & Risk Officer

As you would expect to see, it's good to see them integrated as well. Joe, I have one final question and then we can just...

Joseph J. Echevarria - Pfizer Inc. - Independent Director & Chair of the Governance and Sustainability Committee

Final question?

Rady A. Johnson - Pfizer Inc. - Executive VP and Chief Compliance, Quality & Risk Officer

Yes. And then any other additional thoughts and comments that you'd like to just share that I may not have had a question for. But the most important piece perhaps, how is the Board overseeing culture and human capital?

Joseph J. Echevarria - Pfizer Inc. - Independent Director & Chair of the Governance and Sustainability Committee

You save the toughest one for last.

Rady A. Johnson - Pfizer Inc. - Executive VP and Chief Compliance, Quality & Risk Officer

Picture people, right.

Joseph J. Echevarria - Pfizer Inc. - Independent Director & Chair of the Governance and Sustainability Committee

When I think about that, everything is about people. So how are we overseeing it. It's a tough construct to think about overseeing something that's everything. I think the first thing we're doing is we're trying to actually measure what is the culture of an enterprise, what moves the culture of the enterprise, what things matter what things don't. Just our pivot to a purpose-driven enterprise that started a few years ago, that's a change in culture. It's a change in how you manage culture. So it's becoming much more routinized in terms of building process around it, whether it's in the ESG component or the compensation component, but it's an everyday thing.

I don't think culture and how you manage it is anything more than what leaders and those in the enterprise actually do, what do you hold yourself accountable to and how do you measure that accountability. It's tough. Culture is something that gets manufactured every day by every single person in enterprise. We are a global large-scale company. I don't think you can put it in one place. We can certainly navigate it though to a set of successful outcomes. And I think we're on our way, and we should never waste the crisis and what's happened with the pandemic is nothing short of a crisis.

But it's -- but we've rallied. It's made us better as an enterprise. And I think it actually demonstrated what the culture is all about, which is really trying to get through breakthroughs that change patients' lives.

Rady A. Johnson - Pfizer Inc. - Executive VP and Chief Compliance, Quality & Risk Officer

That's a great answer for that. Anything I didn't cover in the question is what are we missing, if anything, from this conversation in the Board's oversight?

Joseph J. Echevarria - Pfizer Inc. - Independent Director & Chair of the Governance and Sustainability Committee

I don't think you missed, I think it was very thorough. I think we do a lot of things. It's just early days. To me, it's early days. It feels like we've been in this for a long time. But it's getting much more sophisticated. And I do think the nexus between the 2 is the toughest part, figuring out our responsibility for patients, figuring out creating shareholder value, but at the same time, taking responsibility for how we affect the broader environment in creating shareholder value and owning that responsibility just as much as we own the shareholder value responsibility because like I said before, we're all part of the same great earth and we're part of the same human race.

And so I think we have a cultural responsibility to create that intersection, be true to that intersection and be transparent about what that means to us. But what I can say here is that this is a terrific place to be, and I'm really honored to have been on the Board of Directors of Pfizer. That's the most important part.

Rady A. Johnson - Pfizer Inc. - Executive VP and Chief Compliance, Quality & Risk Officer

Well, thank you, Joe. Let me just say I'm picking up on your responsibility word. We certainly feel that we have a huge responsibility to so many patients first and foremost. It's in our mission. As Caroline said at her outset, we've been on this journey for a long time. We're excited to kind of be able to have the opportunity to tell this to stay on this journey. We're proud of what we do and how we do it. But we are very grateful for you and your passion, your expertise in the space and the Board as a whole to help push us and make sure that we are really living up to meeting that responsibility that we all have. So I look forward to the journey with you as we continue.

Let me -- thanks so thank you again for joining us today and having the opportunity. Let me now turn it over to my colleague, Ronen Tamir, Vice President of Investor Relations. Ronen, over to you.

Ronen Tamir - Pfizer Inc. - VP, Investor Relations

Thank you all for a great discussion. Really appreciate it. We know how important ESG topics are for our investors. And moreover, these topics are taken very seriously as they become more entrenched into our culture and into our day-to-day behavior. How we do things is as important to Pfizer is what we do, and we strive to be diverse and work to help ensure access to all our medicines and vaccines. We hope you found this in discussion informative, and please leave us comments or ask any follow-up questions by e-mailing us at IR@pfizer.com and the Investor Relations team will get back to you. Thank you again for joining and be well.

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