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Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549-1090

Attention: Elizabeth M. Murphy, Secretary

Re: File No. S7-14-10
Release Nos. 34-62495/IA-3052/IC-29340
Concept Release on the U.S. Proxy System

Ladies and Gentlemen:

On behalf of Pfizer Inc., I am writing to comment on some of the topics discussed in the above Concept Release. Although our comments focus on the areas that are most relevant to Pfizer, we very much appreciate the thoughtful consideration that the Commission and its Staff have given to the many topics covered in the Release, which are critical to our proxy voting system.

*The Commission Should Not Require Earlier Disclosure of Shareholder Meeting Agendas*

The Release suggests that earlier disclosure of shareholder meeting agendas would enable securities lenders to determine whether loaned securities need to be recalled in order to be voted. However, the Release does not provide any empirical data indicating that this is a significant problem or that earlier disclosure would remedy any such problem. While many Pfizer stockholders routinely contact us with questions or requests for information (including information regarding upcoming shareholder meetings), to our knowledge none of our holders has sought advance disclosure of our shareholder meeting agendas.

More importantly, earlier disclosure of shareholder meeting agendas would raise practical and governance concerns, including (1) the lack of certainty as to agenda items, (2) the imposition of undue pressure on boards of directors to finalize meeting agendas, and (3) whether and to what extent companies would be able to change their agendas once disclosure has been made.

Pfizer generally discloses the annual meeting agenda in early March, when our proxy materials are filed with the Commission. In many cases, our final meeting agenda is fixed in the days immediately preceding the filing of proxy materials. The inability to finalize the agenda can result from the uncertain status of no-action requests with respect to shareholder proposals or the need for deliberation and discussion by our Board of Directors and/or its Committees. In the latter case, early disclosure of the meeting agenda could apply undue pressure on our Board and Committees to finalize the agenda during a very busy time of year. At a minimum, early disclosure might necessitate a rescheduling of Board and/or Committee meetings, which could be problematic given the time of year and scheduling challenges. Like many companies, Pfizer's Board and Committee meeting schedule is set years in advance given the difficulty of finding dates that meet everyone's scheduling needs.

The Release acknowledges that shareholder meeting agendas are subject to change and asks for comment on whether companies could disclose meeting agendas on that basis, possibly limiting the changes to shareholder proposals for which the company is seeking no-action relief. We question the usefulness of providing an unsettled agenda to shareholders; doing so would have the opposite effect of what is intended and instead would lead to confusion. If the Commission nonetheless believes that companies should disclose shareholder meeting agendas earlier than is currently the norm, perhaps it could encourage such disclosure on a voluntary basis. This would enable companies whose agendas are settled at an early date to provide such disclosure. (In this case, the Commission should clarify that any such disclosure would not constitute "solicitation" under the proxy rules.)

*The Commission Should Oversee a Revision of Proxy Distribution Fees*

The section of the Release concerning proxy distribution fees is, in our view, particularly comprehensive and informative. We are concerned that the fees paid by Pfizer and other companies may bear little or no relation to the costs actually incurred in distributing proxy materials. For example, suppression fees – the fees charged for <u>not</u> mailing proxy materials to a particular holder – are charged every year, even though the cost of "suppressing" an account occurs only once. In addition, where a company implements notice and access but elects the "notice only" delivery option for <u>any</u> accounts, an "incremental" fee is charged to all accounts, even if the company elects to continue "full set" delivery for some accounts. Aside from the negative impact that this has on the use of the notice and access model, it results in fees that are inequitable and unjustified.

While increased competition would likely result in more appropriate (and lower) proxy distribution fees based on actual costs, that may not be practicable and in any case would take time. As a result, we believe that an increased level of regulatory oversight may be required. We suggest that the Commission oversee a revision of proxy distribution fees with the goal of ensuring that the fees charged represent reasonable expenses. The revision might be conducted by the NYSE, by an advisory group to be formed by the Commission, or possibly by the Commission itself. Further, the Commission should mandate periodic reviews of such fees to assure that they are adjusted from time to time to reflect technological and other developments.

*Communications with Shareholders Should be Facilitated by Eliminating the NOBO/OBO Classifications*

Despite the availability of new technologies that would permit timely and relatively inexpensive communications between companies and their owners, companies face obstacles and expenses when attempting to engage in such communications. First, it can be difficult and costly to determine the identity and holdings of investors; doing so frequently results in the need to use proxy solicitation firms and other resources that can be costly. Second, even where a company knows who its investors are, communications entail considerable expense and inconvenience due to the need to communicate through levels of intermediaries. As noted in the Release, merely obtaining a list of NOBOs can be costly, and broker-dealers have expressed concern about the difficulty of maintaining accurate lists of NOBOs when a class of stock is actively traded. The challenges involved in communicating with owners have become increasingly frustrating given recent governance developments such as limitations on broker discretionary voting.

For these and other reasons, we support eliminating the NOBO/OBO classifications so that companies would know who their shareholders are and would be better able to communicate with them. We understand that there may be some privacy concerns associated with eliminating these classifications. However, the Release suggests that these concerns may be overstated, and privacy concerns have not prevented direct communications between companies and shareholders in the United Kingdom and other jurisdictions. In any case, the elimination of the NOBO/OBO classifications would not prevent investors from establishing nominee accounts at their own cost – rather than imposing such costs on the company and all other shareholders. In addition, the Commission should permit companies to send proxy materials directly to beneficial owners without having to go through a series of intermediaries. Among other things, enhanced communications and direct distribution of proxy materials could lead to increased investor participation, particularly among retail investors.

The Release discusses some alternative approaches to improving communications between companies and shareholders, including an approach in which a company would be entitled to a list of all beneficial owners, but only as of the record date for a meeting. While this might be a slight improvement, it incorrectly presumes that the only time a company will be interested in communicating with its owners is in connection with a shareholder meeting and would do nothing to facilitate communications at other times of the year. At Pfizer, we strive to communicate with our investors throughout the year, and we believe the system should support this approach.

*The Commission Should Facilitate Retail Investor Participation by Encouraging Experimentation with "Advance Voting Instructions" and Improvements in the Notice and Access Model and by Streamlining Disclosures*

Investor education, as well as enhanced brokers' internet platforms (which, in essence, constitute another form of investor education), should have a positive impact on the extent to which retail investors participate in corporate voting and other activities. However, we believe that their impact is likely to be marginal and that additional approaches are needed to effect meaningful changes in the level of investor participation. These approaches would include (1) encouraging experimentation with "advance voting instructions" (also referred to as client-directed voting, or "CDV"), (2) further improvements in the notice and access model, and (3) streamlining disclosures.

- CDV. We understand the Commission's concerns regarding CDV, and we appreciate the attention that the Release gives to these concerns. However, the Release suggests that these concerns are too serious to permit the implementation of CDV on even a trial basis. We believe that the Commission should instead encourage experimentation with CDV, possibly in the form of a pilot program, to see if and how CDV can increase investor participation in voting and also to determine whether the issues discussed in the Release are real and significant. By way of example, the Release expresses concern that advance voting instructions could be very broad, and that "[t]he grant of such broad authority could raise concerns about the extent to which the investor's vote is an informed one." However, in the absence of CDV or something similar, the investor may not vote at all, which seems an undesirable alternative.

- Notice and Access. The Release notes that notice and access has not caused changes in voter participation. Unfortunately, a number of the possible revisions to the notice and access model discussed in the Release would diminish, rather than enhance, the extent to which companies could experiment with different approaches to notice and access. For example, the Release asks whether companies using notice and access should be required to do so on a stratified basis or to send full sets of proxy materials to shareholders who have voted on paper in the past two years. The Commission should take a less rigid approach to notice and access and allow companies to experiment and see what works best for them. More companies likely would take advantage of (and more shareholders would benefit from) notice and access if the timing and wording requirements applicable to the notice were more flexible.

- Streamlining Disclosures. The Release discusses whether such things as the use of plain English, some form of summary proxy materials, or layered formats in web-based disclosure would make proxy materials more accessible to retail investors. While Pfizer generally supports certain of these and other innovations – we were one of the first companies to adopt a "plain English" approach to proxy disclosure – we believe that these suggestions ignore a more fundamental problem: despite our efforts to make our proxy statements shorter and more readable, the ongoing accretion of disclosure requirements – as a result of rulemaking, the comment process, and other interpretive actions – has resulted in proxy statements that are longer and more detailed (and thereby less readable). Moreover, we believe that requiring companies to prepare and provide summary proxy materials would just result in the creation of yet another document that shareholders might not read. Instead of creating another document with its own rules and requirements, the Commission should undertake a comprehensive review of the proxy rules (including those pertaining to executive compensation disclosure) with a view to eliminating unnecessary and duplicative disclosure and streamlining what remains. A major component of this review would address the need for proxy statement disclosure of information that appears on a company's website.

*The Commission Should Support the Critical Linkage between Voting Power and Economic Interest and Should Oversee Proxy Advisory Firms*

We share the Commission's view that shareholders who vote should have a commensurate economic interest in the company. In fact, we believe that "empty voting" – the separation of voting power and economic interest – not only undermines confidence in the proxy system, but also can have serious adverse effects on a company. The rendering of certain kinds of voting services by proxy advisory firms (including not only providing voting recommendations, but also actually voting their clients' shares) is a form of "empty voting," in that such firms have no economic stake in the companies in question other than fees from their clients.

These firms wield significant influence, and their voting recommendations have a substantial impact on voting results. The recent report of the NYSE Commission on Corporate Governance "recognizes the influence that proxy advisory firms have on the market." As a result, the report recommends that such firms "be held to appropriate standards of transparency and accountability."

While many large institutional investors place less reliance on voting recommendations made by proxy advisory firms and use such firms' advice primarily as a source of information, in our experience many smaller institutional investors lack the staff and other resources needed to carefully evaluate matters being voted on, and such investors base their votes largely or entirely on proxy firms' recommendations. Further, the influence of proxy advisory firms is likely to increase, particularly with respect to smaller institutional investors, as investors are required to vote on say on pay and other resolutions that call for detailed analyses of complex compensation plans and other matters.

While many criticisms have been leveled at proxy advisory firms, our principal concern is that proxy analyses frequently omit information that is material to a voting decision. In part, this reflects the "one-size-fits-all" approach that some proxy advisory firms employ based upon what they perceive as a "best practice." The problem with this approach is that in most cases, there is not just one best practice that should be followed; there is likely to be a range of acceptable practices, and a company should be able to adopt an acceptable practice that is appropriate for its individual circumstances and those of its shareholders. When this occurs, we believe that the proxy analysis should, at a minimum, disclose – with equal prominence – the company's practice and why the company believes that its practice is acceptable and/or appropriate. This is generally not the case.

For example, in one advisory firm's analysis of Pfizer's 2010 Proxy Statement, the firm noted (on an early page) that "[t]here is no disclosure regarding a holding period for restricted shares granted to executives." This notation was accompanied by a red arrow, indicating that it was a negative factor in the analysis. While Pfizer does not impose such holding period requirements, we do have stock ownership guidelines that we believe to be better suited to our company; however, this fact was not noted until much later in the analysis, and there was no indication anywhere in the analysis that Pfizer believes that these guidelines are more appropriate than holding period requirements. Moreover, the analysis stated that stock ownership requirements were not disclosed, even though we informed the advisory firm that the guidelines constitute requirements.

Significantly, when we conveyed the above information to one of our institutional holders that (1) is a client of the advisory firm in question and (2) had voted against our Board-sponsored “say on pay” proposal and against the re-election of our Directors who serve on the Compensation Committee, the holder seemed surprised and advised that, in its view, the information that it had relied upon in the advisory firm’s analysis was incomplete.

We have also experienced several situations in which proxy advisory firms’ materials contain factual errors. For example, one firm issued a number of reports indicating that Pfizer requires a “super-majority” shareholder vote on certain matters. The super-majority voting requirements were deleted from our Restated Certificate of Incorporation in 2006. However, it appears that the analysts reviewing our filings did not understand the various documents filed under the Delaware General Corporation Law to delete those requirements. We were informed that the erroneous reports were not distributed, but we have no independent way of confirming that.

Further, some proxy advisory firms do not afford companies any opportunity to review their proxy analyses prior to publication. This can result in the dissemination of incorrect information that can be difficult to challenge and/or correct after the fact, particularly given other time pressures during proxy solicitation periods.

Given the above concerns, we believe that the Commission should in some capacity provide oversight of proxy advisory firms. We are aware of several suggested approaches for such oversight, including subjecting proxy advisory firms to regulations similar to those applicable to rating agencies; broader disclosure of such firms’ Form ADV filings under the Investment Adviser Act; disclosure of such firms’ beneficial ownership of securities of, and transactions with, companies as to which voting recommendations are made; and disclosure of proxy advisory firms’ proxy governance models.

In our view, a simple but effective means of achieving oversight of proxy advisory firms would be to eliminate the exemption from the proxy solicitation rules given to such firms under Exchange Act Rule 14a-2(b)(3). We believe that subjecting proxy advisory firms’ recommendations and reports to the disclosure obligations under the proxy solicitation rules, including the obligation to disclose all material information necessary to a voting decision, would be the most efficient means of ensuring that such reports are complete and accurate in all material respects and would greatly enhance proxy advisory firms’ accountability for these reports. At the same time, this approach would avoid the need to develop a separate regulatory scheme for the sole purpose of overseeing proxy advisory firms.

We very much appreciate the thoughtful consideration that the Commission and its Staff have given to the many topics covered in the Release, which are critical to our proxy voting system. We look forward to any rulemaking initiatives that the Commission undertakes as a result of the Release, and we would expect to comment on any such initiatives.

Should the Commission or the Staff have any questions or need any additional information, please contact me.

Thank you for your consideration.

Very truly yours,

Matthew Lepore
Vice President and Chief Counsel – Corporate Governance