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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. S7-10-09
Release Nos. 33-9046/34-60089/IC-28765
Proposed Rule: Facilitating Shareholder Director Nominations

Ladies and Gentlemen:

On behalf of Pfizer Inc., I am writing to comment on the Commission's proxy access proposal. We thank the Commission for this opportunity to participate in the rule-making process.

At Pfizer, we greatly respect the Commission's desire to increase shareholder input. We have provided Pfizer shareholders a voice in governance for years, and we have responded with action time and time again. We are continually looking for new ways to meaningfully increase shareholder input.

Proposed Rule 14a-11, however, will not accomplish this goal. Rather, a variety of procedural and substantive issues will more likely cause confusion, inequity and inefficiencies of all sorts. We urge the Commission not to adopt Rule 14a-11 or to revise it substantially. Importantly, our specific comments on this proposal reflect input recently received from a number of Pfizer shareholders as part of our continuing shareholder outreach. While we have heard varying viewpoints, there has been a consistent level of concern among investors of all sizes with Rule 14a-11.

We support the Commission's proposal to amend Rule 14a-8 to permit shareholder proposals on proxy access. Such proposals would afford shareholders exactly what the Commission seeks – meaningful shareholder input – and companies can work with their shareholders to create proxy access processes that make sense for them. In contrast to the

one-size-fits-all approach in Rule 14a-11, this is a far better method of achieving the Commission's goals.

Our comments relate to Rule 14a-11, with the exception of the final paragraph, which relates to Rule 14a-8.

GENERAL COMMENTS

The Proposal Would Preempt State Law and Company/Shareholder Action

Of paramount concern is the proposal's intrusion into areas historically handled by states or by companies and their shareholders. Rule 14a-11 would preempt state corporate law and, moreover, preclude shareholders from seeking forms of proxy access that might be more appropriate for their company. There is no rationale for such a dramatic change. While the Release attributes the need for the proposal to the ongoing financial crisis, we are aware of no correlation between the current economy and the director selection process. If there were some correlation, any proxy access proposal should be specifically designed to address the problem through appropriate triggering mechanisms or otherwise – not through a federally mandated, uniform approach for all public companies, regardless of industry, financial condition, or quality of governance.

The Proposal Would Adversely Impact Board Dynamics

The proposal is likely to impact board dynamics in several ways. One serious issue relates to the fiduciary duties that *all* directors owe to *all* shareholders. When someone is nominated and elected through the efforts of a particular shareholder or group of shareholders, they very well may support the interests of that shareholder or group over shareholders generally. Importantly, the proposal would not require a shareholder-proposed nominee to be independent of the nominating shareholder or group.

In addition, a company's standards and processes for assessing a shareholder-proposed candidate's independence and other qualifications would not apply under the proposal as long as the candidate meets the minimum independence requirements of the company's principal exchange. This may result in the election of directors whose experience and abilities may not match the company's needs.

The proposal also would lead to increased numbers of contested elections, which are disruptive to companies by creating uncertainty as to the future board composition, possible management changes, and changes in the company's strategic direction. This possibility alone might cause some directors to not seek re-election, which would result in the loss of experienced, highly qualified directors.

The Proposal Fails to Fully Consider Governance Reforms and Other Developments

Recent governance reforms like annual elections and majority voting have enhanced both director accountability and shareholder influence. Shareholders also have developed means to express dissatisfaction with directors, such as "just vote no" campaigns. But the proposal fails to consider the impact of these developments on director accountability and responsiveness. Before issuing a federal mandate for proxy access at all companies, the Commission should further study the impact of recent governance reforms and reevaluate its proposal accordingly.

At a minimum, the Commission should amend Rule 14a-8 and not adopt Rule 14a-11. If, however, the Commission proceeds with a uniform proxy access system for all public companies, we offer these specific comments on the rule as proposed in the Release.

SPECIFIC COMMENTS

Company Governing Documents Should Control

A one-size-fits-all approach will prohibit both states and companies – even with direct input from shareholders – from devising means of proxy access that are more appropriate to their individual circumstances. To avoid this harsh consequence, Rule 14a-11 simply should not apply to companies that have proxy access rules, regardless of whether those rules are more or less restrictive than 14a-11. If companies are able to develop proxy access provisions for inclusion in their governing documents, they would likely do so in consultation with their shareholders. Therefore, any such provisions should prevail over Rule 14a-11 even if they are not formally approved by shareholders.

In addition, a company's standards for director independence and other qualifications, including the subjective tests in those standards, should apply to shareholder-designated nominees. Pfizer's Board and Corporate Governance Committee, like boards and committees at many companies, have carefully developed Corporate Governance Principles, Director Qualification Standards and other policies and practices relating to the election and conduct of directors. Pfizer's Director Qualification Standards and other policies and practices are more rigorous than those imposed by the New York Stock Exchange and address other topics, such as director retirement and attendance at shareholder meetings. But Rule 14a-11 would require a shareholder-designated nominee to comply only with the objective standards of the NYSE – undermining Pfizer's higher standards and, worse, its Corporate Governance Committee's role. This would result in two inconsistent sets of standards for director selection – one more lenient set for shareholder-proposed nominees, and another more stringent set for company nominees. Rule 14a-11 also would complicate procedures for assessing director qualifications, including compliance with the Clayton Act as it relates to interlocking directors. To remedy these issues, the company's standards should apply to all candidates.

Finally, Note 98 to the Release defines "governing documents" as a company's charter, articles or certificate of incorporation, and by-laws. This term should be more broadly defined to include a company's corporate governance principles, director qualification standards and similar documents relating to the qualifications and duties of directors.

The Proposal Should Not Apply to Companies with Majority Voting Standards

Majority voting in the election of directors provides precisely the type of shareholder voice and director accountability sought by the proposal. Therefore, if Rule 14a-11 is adopted, it should exempt companies where state laws or the company's governing documents require that directors be elected by a majority, rather than a plurality, of the shares represented at a meeting. If Rule 14a-11 does not provide for this exemption, it should acknowledge that where the number of candidates exceeds the number of directorships as a result of director nominations under Rule 14a-11, the election will be determined based on a plurality vote rather than a majority vote.

The Eligibility Criteria Relating to "Shareholder Intent" Are Inadequate

Under Rule 14a-11, shareholder-designated nominees would have to be included in a company's proxy materials so long as the designating shareholder (or group) is not seeking to change control of the company. However, the mere absence of this intent is insufficient to protect a company against shareholders who may have special interests that do not benefit shareholders generally. Additional criteria for excluding shareholder nominees from the company's proxy materials should be added to Rule 14a-11, including the absence of intent to propose any extraordinary transactions, such as a sale of all or substantially all assets or a merger or similar transaction.

Rule 14a-11 Should Provide for Triggering Events

Any proxy access rule should provide for one or more triggers designed to directly reflect the Commission's stated goals. For example, if the Commission is concerned about non-responsive boards, we support a trigger appropriate for addressing that issue – such as when a director at a company with a majority voting standard who fails to receive a majority vote remains on the board. This and any other triggers would have to be carefully and narrowly worded to assure that proxy access would only be triggered in response to very specific facts and circumstances.

The Eligibility Criteria Relating to Ownership and Holding Periods Are Insufficient

The Release states that "only holders of a significant, long-term interest in a company [would] be able to rely upon Rule 14a-11." However, the 1%, 1-year eligibility criteria for large companies fall short of this standard. At a minimum, 5% ownership should be required under Rule 14a-11. Regarding length of holdings, for a truly "long-term interest" the Commission should require a holding period of two, if not three, years.

The Proposal Should Include Additional Disclosure of Security Ownership

The Commission also should require a nominating shareholder to (a) represent that it has not hedged or otherwise disposed of its economic interest in the requisite amount of stock during the holding period and (b) disclose its total position in the company's debt and equity securities (rather than just its long position in the company's stock), as well as any arrangement that may impact its voting or economic rights with respect to such securities. Such disclosure would assure that other shareholders would know of any de-coupling of the nominating shareholder's economic rights from its voting rights and of any financial interest in the company that differs from those of equity holders generally.

The Proposal Should Include a Post-Election Holding Requirement

Rule 14a-11 should require all nominating shareholders to retain their ownership for a period of time – at least for the nominee's term – after election. The absence of a post-election holding requirement would foster short-termism and facilitate the election of "special interest" or "single issue" directors.

The Proposal Should Prohibit Resubmissions in Certain Circumstances

It is critical that appropriate measures be adopted to instill integrity and prevent potential abuses of the system. Prohibiting resubmissions under certain circumstances is one way of ensuring that initial submissions are made with appropriate care and consideration. For example, the Commission could prevent a shareholder nominee who does not receive at least 30% of the votes cast in an election from being nominated again by any shareholder for a period of three years. Similarly, a shareholder whose nominee is not elected should be barred from making nominations for the same period. Such limits would allow other shareholders the opportunity to propose nominees and prevent continuous re-nominations by the same holders year after year – particularly given the Commission's first-in rule for determining preference.

The Number of Shareholder-Proposed Nominees Should Be Adjusted

Under the proposal, the number of nominees that can be designated by shareholders bears no relationship to ownership. This must be corrected to require that the maximum number of directors that could be nominated under the proposal bear some relationship to the percentage of ownership (subject to a minimum of one director and maximum of 25% for all nominees in the aggregate).

The Proposal Must Address Treatment of Shareholder Nominees Who Are Elected

The proposal does not address how shareholder-designated nominees would be treated if elected as directors, except for cases where the term of the directors extends past the next

shareholder meeting. This gap would seriously impact shareholder nominations in future years. We recommend that shareholder-designated nominees should remain as such after election either indefinitely or for a specified period of time (e.g., 5 years), unless the company's nominating or corporate governance committee (or its board) determines otherwise. (The mere re-nomination of the director by the committee or board would not render such director a "company" nominee.) Moreover, this would be another way to involve the appropriate committee in the director selection process.

The Proposed "First In" Approach to Priority of Nominations Is Inappropriate

We have significant concerns with giving priority to nominating shareholders based upon the order in which nominations are received. This approach is likely to induce a "rush to file" mentality and also may lead to multiple nominations being received by a company on the same date. It may be impossible to determine which nomination was actually "first" under the rule, and no guidance is provided for how priority should be determined in these situations. We urge the Commission to revert to the priority mechanism in the 2003 proxy access proposals, which would have granted priority to the largest shareholder (aggregated for shareholders acting in concert) to submit an eligible nomination. In the event that "competing" nominations are made by two shareholders or groups with equal holdings, priority should be determined based upon the length of time that the stock has been owned.

Enhanced Disclosure Requirements Should Apply to Shareholders and Nominees

The Release refers to disclosure requirements for nominating shareholders and nominees. We assume these requirements will be updated to refer to the rules and disclosure requirements proposed under Release Nos. 33-9052/34-60280 ("Proxy Disclosure and Solicitation Enhancements") to the extent such rules are adopted. Similar to issues of independence and qualifications, there is no reason to subject shareholder-nominated candidates to less rigorous disclosure obligations than company-nominated candidates.

In questions F.20 through F.22, the Release requests comment on whether certain additional disclosures should be provided in Schedule 14N. We recommend that all of the disclosures referred to in these questions be provided.

The Proposal Does Not Provide Adequate Time to Process Shareholder Nominations

The schedule contemplated by Rule 14a-11 does not provide sufficient time for a company to perform the diligence necessary to evaluate the qualifications of a shareholder-proposed nominee; to conduct informational discussions with the nominating shareholder(s) and nominee(s); where deemed necessary, to seek and obtain Commission staff guidance; and to prepare, print and distribute definitive proxy materials. A company would realistically need at least 150 days before the date of the preceding year's proxy mailing to carry out these responsibilities (particularly if it is necessary to involve the

Commission). This period also should include at least 30 days for the company to notify the nominating shareholders that eligibility requirements have not been met. The proposed 14-day period for this notification would not afford a company adequate time to evaluate the eligibility of the nominating shareholder(s) and nominee(s), which might necessitate discussions with either or both.

Advance Notice By-laws Should Not Apply under Rule 14a-11

In any event, the advance notice provisions of a company's by-laws should have no bearing on the schedule under Rule 14a-11. Indeed, since most companies' advance notice by-law provisions provide for a notice period of less than 120 days prior to the preceding year's proxy mailing date (as is contemplated by Rule 14a-11), the timing problems would be more severe than those noted above. Moreover, by-law advance notice provisions were generally developed to provide a framework for shareholders to propose business or nominees outside of the company proxy materials, rather than for inclusion in such materials (as is the case with Rule 14a-11). Such provisions typically require less notice than proposals submitted for inclusion in the company proxy under Rule 14a-8 because management does not need the additional time needed to prepare, print, and distribute proxy materials. If the final rule includes the reference to advance notice provisions to establish the deadline for submission for Schedule 14N, companies may need to amend their by-laws to adopt longer advance notice periods, which may raise concerns under applicable state corporate law.

The Proposal Should Provide for Specific Start Dates and End Dates for Submissions

Rule 14a-11 should set a specific time period (i.e., both a start and end date) for submission of Schedule 14N, rather than simply providing for a deadline for submission. Specifying the first date for submission would clarify that a company is not required to treat late submissions from the prior year as submissions for the current year and would facilitate the implementation of adequate controls for determining the sequence of submissions. It would also avoid making the director selection process, and preparation of proxy materials, into year-round activities. If the "first in" approach is adopted, Rule 14a-11 will need to establish, or let companies establish, rules to determine priority where more than one Schedule 14N is received on the same date.

Additional Nominees Should Be Prohibited following Withdrawal or Ineligibility of Shareholder-Proposed Candidate

If a nominee withdraws or becomes ineligible for any reason after the submission deadline, Rule 14a-11 should clarify that no other nominees would become eligible under Rule 14a-11. The timing provisions under the rule simply do not allow for multiple successive elimination processes to occur in a single proxy season because, among other things, there would be no time to evaluate additional candidates and, if necessary, raise eligibility issues with the Commission about such candidates.

Shareholders Should Be Permitted to Vote for Entire Company Slate

Shareholders should have the option of voting for the company's slate of nominees, a process familiar to them. Depriving shareholders of this option will be confusing and may lead to the loss of significant numbers of shares being voted. For shareholders who vote by telephone or the internet, voting for individuals (rather than a slate) can be time-consuming and occasionally result in the loss of telephone or internet connections, further frustrating matters. All of these concerns are likely to be exacerbated given the recent amendment of NYSE Rule 452.

Companies Should Have Flexibility in Designing Proxy Cards

We agree that a "universal" proxy card with company and shareholder nominees may be confusing. This confusion can be mitigated by giving companies flexibility to structure universal ballots.

Rule 14a-8 Should Be Independent from Rule 14a-11

We support the Commission's proposal to amend Rule 14a-8 to permit shareholder proposals regarding proxy access. Such proposals would afford companies and their owners the ability to develop proxy access processes better suited to their individual industries and characteristics. To be most effective, however, Rule 14-8 should operate completely independently from Rule 14a-11. Shareholders must be able to submit proposals under Rule 14a-8 with respect to proxy access by-law provisions irrespective of their consistency with Rule 14a-11.

Thank you for your consideration.

Very truly yours,

Matthew Lepore
Vice President and Chief Counsel – Corporate Governance
Assistant General Counsel

cc: Hon. Mary L. Schapiro, Chair
Hon. Luis A. Aguilar, Commissioner
Hon. Kathleen A. Casey, Commissioner
Hon. Troy A. Paredes, Commissioner
Hon. Elisse B. Walter, Commissioner
Meredith B. Cross, Director, Division of Corporation Finance