



STRONG SUPPORT FOR TRILLIUM'S RACIAL JUSTICE AND GOOD GOVERNANCE

Shareholder Proposals at Johnson & Johnson's 2021 Annual Meeting



A year after the 2020 Black Lives Matter marches began and in the midst of the social and economic divides illuminated by the pandemic, investors are pressing companies to provide meaningful and substantial improvements on racial justice. Two key takeaways for Johnson & Johnson's leadership after its April 22nd annual meeting are (1) that they need to do a racial justice audit and (2) bring in an independent board chair. We at Trillium were heartened to see broad shareholder support for these two proposals we lead on behalf of our clients.

In response to the call-to-action last summer, dozens of companies made public statements and pledged millions of dollars to address racial disparities in their organizations. For example, Johnson & Johnson (J&J) announced a "Race to Health Equality" program to

address health inequities for people of color and earmarked \$100 million over five years for this effort. While these types of programs are a positive step, we know that the inequities in public health are systemic and business as usual in healthcare has repeatedly resulted in disparate outcomes for Black Americans.

To encourage a more holistic approach to these disparities, Trillium filed a shareholder proposal¹ that argued for a rigorous independent review of J&J's current policies and practices that could lead to a deeper impact on systemic racism across its medical devices, consumer health, and pharmaceutical divisions. We also urged the company in another shareholder proposal to stop putting so much power in the hands of the board chairman and CEO, Alex Gorsky,

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¹The proposal was filed by Trillium Asset Management on behalf of Anne and Christopher Ellinger. Co-filers to the proposal include: Clean Yield Asset Management, Pax World Funds, Adrian Dominican Sisters, and Benedictine Sisters of Mount St. Scholastica.

and to adopt the good governance practice of an independent board chair.

Actions by Johnson & Johnson that are at odds with public commitments to racial equity illustrate the need for both of these reforms, including the ongoing problems around the sale of talc products and concerns surrounding recent political spending. In May 2020, J&J announced it would discontinue sales of talcum-based powder in North America. However, it did not reach the same conclusion about the best course of action internationally, and continues sales across the globe. Soon after that decision, in a July 2020 op-ed, the National Women's Health Network² pointed out its concerns with this approach for continuing to sell talc-based baby powder abroad: "this product will continue to impact Black and Brown communities, particularly in places like Africa, where it has operations in South Africa, Ghana, and Kenya, and in Brazil, which is home to all three of its business segments."

In light of a recent wave of state legislation seeking to restrict voting rights, and the support by many elected officials of a challenge to a free and fair election, all companies should review their political spending in light of their commitment to racial justice. According to OpenSecrets and New York Times reporting, at least 20 U.S. Representatives received J&J PAC

contributions and voted on January 6, 2021 to overturn the votes for a legitimately and democratically elected president, consistent with the demands of insurrectionists motivated by white supremacy.³

We believe J&J has an opportunity to bring in independent experts, as other companies have, to review how these business decisions impact all of its stakeholders and determine what steps it can take to make the strongest improvements to its work on racial justice. By addressing their blind spots, J&J can take a leadership role in the racial reckoning America is undergoing. The racial justice audit is an important new process for companies and investors to use to build more equitable and just institutions.

We are pleased with strong investor support for our racial justice audit proposal with 34% of votes cast for this new proposal –and 43% for our call for an independent board chair (its third year receiving more than 40%). These votes not only underscore the strong support that we have amongst investors, but also provide positive and productive pathways forward for the company. We expect J&J's board to take these votes seriously and hope they will become the foundations for productive dialogues in the future.

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³ <https://www.columbiatribune.com/story/opinion/columns/2020/07/07/black-lives-should-matter-in-medicine-cabinet-too/42605387/>

³ <https://www.opensecrets.org/political-action-committees-pacs/johnson-johnson/C00010983/candidate-recipients/2020> and <https://www.nytimes.com/interactive/2021/01/07/us/elections/electoral-college-biden-objectors.html>

