Separate CEO & Chair
2018 – Johnson & Johnson

RESOLVED: The shareholders of Johnson & Johnson ("JNJ") request the Board of Directors ("Board") to adopt as policy, and amend the bylaws as necessary, to require the Chair of the Board, whenever possible, to be an independent member of the Board. The policy should be phased in for the next CEO transition.

If the Board determines that a Chair who was independent when selected is no longer independent, the Board shall select a new Chair who satisfies the requirements of the policy within a reasonable amount of time. Compliance with this policy is waived if no independent director is available and willing to serve as Chair.

Supporting Statement: We believe:

- The role of the CEO and management is to run the company.
- The role of the Board of Directors is to provide independent oversight of management and the CEO.
- There is a potential conflict of interest for a CEO to be her/his own overseer as Chair while managing the business.

JNJ's CEO Alex Gorsky serves both as CEO and Chair of the Board of Directors. We believe the combination of these two roles in a single person weakens a corporation's governance structure, which can harm shareholder value.

As Andrew Grove, Intel's former chair, stated, "The separation of the two jobs goes to the heart of the conception of a corporation. Is a company a sandbox for the CEO, or is the CEO an employee? If he's an employee, he needs a boss, and that boss is the Board. The Chairman runs the Board. How can the CEO be his own boss?"

In our view, shareholders are best served by an independent Board Chair who can provide a balance of power between the CEO and the Board, empowering strong Board leadership. The primary duty of a Board is to oversee the management of a company on behalf of shareholders. We believe a combined CEO / Chair creates a potential conflict of interest, resulting in excessive management influence on the Board and weaker oversight of management.

Numerous institutional investors recommend separation of these two roles. For example, California's Retirement System CalPERS' Principles & Guidelines encourage separation, even with a lead director in place.

According to ISS's "2017 Board Practices" (March 2017), 58% of S&P 1,500 firms separate these two positions and the number of companies separating these roles is growing.

In our opinion, these considerations are especially critical given the potential for legal, reputational and financial risks related to multiple government investigations that JNJ has reported in its 10-K related to its manufacturing of opioids. In September 2017, 41 state attorneys general subpoenaed information from opioid drug manufacturers, including JNJ, about how these companies marketed and sold opioids.

Shareholders of JNJ showed strong support for this resolution last year, with a 42.79% vote in support of separating the chair and CEO.

To simplify the transition, this policy would be phased in and implemented when the next CEO is chosen.