

Company Name: Johnson & Johnson (JNJ)
Event: CECP 2018 CEO Investor Forum Conference
Date: February 26, 2018

<<Marjorie A. Paloma, Robert Wood Johnson Foundation>>

I am thrilled to introduce our next speaker. Though Johnson & Johnson and Robert Wood Johnson are separate entities with different boards, purposes and leadership, we share the history of being founded by General Robert Wood Johnson, a man known for his values and sense of responsibility to people and community.

And it is my honor to introduce Alex Gorsky, the Chairman and CEO of J&J. He's had an illustrious career within J&J and is a longtime advocate of diversity and inclusion, and empowering leadership at all levels. He's named 1 of 100 most inspiring leaders by Pharma Voice. Alex is the executive sponsor of the Company's women's leadership initiative, which supports women's career development. He's also a military veteran and a role model, especially in health. He is known for his workouts and his enthusiasm and support, encouraging staff and everyone around him to do good and be well. He believes in life balance.

And last year, under his leadership, J&J expanded their parental leave policy in the U.S. to 17 weeks paid for all new parents. And this year, in 2018, under Alex' leadership, Johnson & Johnson was named on Fortune's list of the World's Most Admired Companies for its commitment to employees, innovation and the health and well-being of people around the world. Please join me in welcoming Alex Gorsky.

<<Mark Tulay, Strategic Investor Initiative>>

So we have a fireside chat here, and we're going to jump right into it. It's my pleasure to welcome Alex. Thank you for your flexibility. You, as Marjorie said, you started your career in the military, serving the military, U.S. Military, and how did you end up at Johnson & Johnson? What was the connection there?

<<Alex Gorsky, Chairman and Chief Executive Officer>>

Well, Mark, thank you very much, and just let me say, it's a real pleasure to be here this afternoon. And I was in the back anteroom listening to David Abney earlier, and we got, of course, a great partnership with David. And we are fortunate enough to get Scott Davis, his predecessor, who now serves as the Head of our Audit Committee and is a wonderful member of the J&J board. And I'm on the IBM board with his predecessor, Mike, and he's a wonderful leader. And I was really happy that I didn't have to follow the people who are going behind me, Omar Ishrak and Ken Frazier, because that would have made my job that much more challenging this afternoon, but it's great to be able to talk about our industry and what we do with two great leaders like them.

But, Mark, you're right. I was really fortunate to start my career in the military. I was a kid from the Midwest, I was one of six children and my father was a Korean War veteran and my grandparents were all immigrants. And we came from a pretty simple middle-class family. And as I looked at options for the future, the opportunity to serve my country, to go to a school that actually paid for my education and that, basically, at that time, was going to guarantee me a job right out of college, with some great learning and leadership experience, seemed like a pretty good package.

And so, like a lot of other men and women in our country, I applied to the academy. I was fortunate enough to get in. I went to school there, and then I had a chance to serve six years active duty in Europe and then back in the United States. And I've got to say those were, other than being one of the six children in a big family, where I think that's the best leadership laboratory that any of us have in learning how to get along, for me, the military was definitely the second-best leadership laboratory.

And it's for a number of reasons. I think, one, there's a certain spirit that you have when you're doing something for your country. And what I mean by that, there was really never a mountain too high, a wall too thick or a valley too low that we didn't believe, in some way or another, that the soldiers that I had the good fortune to serve with, we couldn't figure out a way to work through it. And that kind of spirit, one based in fact, one based in a lot of trust with each other, but one kind of an optimism for the future, was critical.

I think the other, for me, in the military was diversity. When I joined, I didn't get to pick who my roommates were. I didn't get to pick who I was literally going to be sleeping in the bunk on top of me, who's going to be on your team. In fact, when I first graduated and went to my very first unit, I was a minority. And learning how to connect with people, to work with people, to believe in people at a very personal level who weren't like you, didn't look like you, didn't talk like you, I believe, is an incredibly life-shaping experience. Because what we realize is that when all the other stuff fades away and you're depending on each other and you're working, we're all the same people.

And I learned that just because of somebody didn't have the opportunity to perhaps go to some of the great schools that many of us have gone to, don't for a second think that they're stupid. There's a huge difference between uneducated and unintelligent. And as I think Ken will agree, we work in this industry today where we get a chance to go into a lot of rooms where people had many, many initials behind their names, and it doesn't necessarily mean it's the most intelligent conversation that's always going on.

And I think having those experiences, again, when I was in my early 20s, really ended up shaping the leader that I think I am today, who I've become and were very formative.

<<Mark Tulay, Strategic Investor Initiative>>

Well, thank you for that. During your last quarterly earnings call, my colleagues made me listen to the quarter earnings call, I learned a lot. It's very unique for me to learn and hear how you infused long term-ism, you infused purpose, you infused the company's credo into that

discussion. You said that J&J is a purpose-based company and operates also as a 132-year-old startup company. How do you balance the two of those?

<<Alex Gorsky, Chairman and Chief Executive Officer>>

Well, there's really not too many conversations I have with Johnson & Johnson, whether it's an earnings call, a town hall, a gathering, where I don't start with that credo as the entry point for the discussion. And I think, while I'm incredibly fortunate to have – be surrounded by remarkable technologies, committed people, products, platforms around the globe, I think the real special sauce at Johnson & Johnson is our credo. And to think that, that document – and, again, this thing was written more than 75 years ago. In fact, this is the 75th anniversary of Our Credo.

Long before corporate social responsibility was in the day-to-day lexicon or vernacular, and the fact that the son of our founder took the time to write this out in such an eloquent way, a little over 300 words, talking about commitments, I think it's just incredibly inspiring. And it's really formed kind of the value system, the backdrop and in fact, I'd say the strategy outline for Johnson & Johnson in everything we do. A couple of things I'll highlight and you probably heard me talk about, one is that it's an and/and document. It doesn't say take care of your patients and your consumers or take care of your employees, and if you get a chance, take care of the communities or your shareholders. It says, no, do this and that and this and that.

So there's an inherent, you might say, intellectual dissidents, challenge that it creates, but I think that's part of the magic of the credo because that's representative of what leaders face every day where you're making trade-offs, where you're thinking through difficult decisions. The second part for me that I think is really outstanding is, of those 300-plus words, what's the most commonly used word in the credo? If you're looking now, can I check it out. It's must. It's not could have, should have, would have or let me reflect on this for a while, but it's must. And that's very declarative. And I think that implies again, commitment, and so we...

<<Mark Tulay, Strategic Investor Initiative>>

It sounds like it also implies, you kept the lawyers away from me.

<<Alex Gorsky, Chairman and Chief Executive Officer>>

It did. It did. And it's – and what I would say, look, it remains, to this day, a huge source of inspiration and aspiration for the company. And sometimes people say, well, do your shareholders ever give a damn if you get out there and talk about that? And what I can tell you when we talk to our top five or top 10, I spent most of the time talking about this issue of how do you keep the credo relevant in today's environment where you have so much complexity, so many different challenges.

And so, yes, we think it's very important and particularly for an industry like healthcare, where so often you're dealing with decisions that fundamentally touch people's lives. To have this kind

of value underpinning, I think, at our company, like many in our industry, it's just irreplaceable. I think it's definitely a must do.

<<Mark Tulay, Strategic Investor Initiative>>

Yes. And several comments refer back to its values as well – as well as value. So how do you foster a culture at the company that promotes both ethical conduct and personal responsibility? How do you balance the ethics with the accountability at the firm?

<<Alex Gorsky, Chairman and Chief Executive Officer>>

Yes. Well, as we talked about a lot, just because we say that we're credos-based and values-based doesn't mean you can't be competitive. And in fact, I think they can go hand-in-hand. It's just that we have an expectation that we're competitive in the right way. And I'm not sure if it's a chicken or an egg, if people come to us because of the credo or because we live the credo because of the people who would end up coming to us. I think it's a little bit of both. But we spend a lot of time making sure it's not just a document on the wall that looks nice when you walk to the hallway.

And what I mean by that, well, I'm proud of the fact that, literally, every country, every company affiliate that you go to in J&J, this is what you'll see as you walk to the doors. The other thing that we do is, every year, we do about 100-question questionnaire, a survey, and everybody wants to shorten it or do this, and we've maintained a very consistent approach and we asked all 140,000 employees how we are doing and how we're living up to our credo responsibilities.

And believe it or not, we get about a 93%, 94% participation rate, which, I would argue, if you compare that to most surveys, comes out at the very top. The other thing we do is we actually split it all the way down to manager level when and where possible. And we use it as a barometer of the leadership climate that exists in the company. And what I mean by that is if you have a division or a group that, over time, may be they've knocked it out of the park on their numbers, but their credo scores are consistently lower, that's a red flag.

Now the opposite is true. If their credo scores are real high but their business is not doing well over a period of time, that's something that has to be addressed, and you have to put it in perspective, of course. If you're asking somebody to go in for a very difficult turnaround situation, it might be a little turbulent for a little while. But over time, we find a very tight correlation between credo scores and company performance. And we use those credo scores also as we go through our succession planning process and we want to know what leaders have created that kind of environment over time. And the other really telling aspect is, it's not only for the couple of years where you might be in the role, but what's happened three years to five years after you've left the role.

And so those are some ways that we try to bring it to life, to make sure that we're living it and representing it. And then, of course, just the way I started, literally, every time we'll do credo sessions with our senior leadership team where we'll get together in a room just about this size, same kind of tables, we'll go through it line-by-line and say, "What is the credo? What does that

mean to you when it says fair and just, a safe working environment?" And then at the end, we'll usually do about three or four scenarios that involve examples where we screwed up as a company. And we changed the names to protect the innocent, but we'll say, "Here's what happened in this particular situation. What would you do?" Because it's easy to talk the 30,000-foot level to be very values-based and kind of high-handed.

It's another when you say, "You are the district sales manager in China. The local distributor has just asked you to pay for he and his wife to go to this particular convention to pay for both, and if you don't, they will switch to a local manufacturer whose products are not as safe as yours. You're the district manager, what do you do?" Now it takes on a whole, different specter. And frankly, most of that is then just the discussion that you have so that you help people develop a process. That when you're in that situation, don't be alone. Don't be afraid to reach out and ask people around you. To check in and bring that to life in the decisions that we make every day. So, those are some of the things that we did.

<<Mark Tulay, Strategic Investor Initiative>>

Thanks. I imagine another way that the credo touches upon your business-making decision is in responsible pricing policies, pharmaceuticals. So how does that tie in? How do you make those decisions, those tough decisions? And what – a separate question is what role does J&J play in working towards advancing, which may be impossible, a sustainable health care system?

<<Alex Gorsky, Chairman and Chief Executive Officer>>

Well, I'm a little bit more optimistic than that. I think it's a huge challenge right now. And, look, the good news is we're all living longer and we're more globalized than ever and there are some remarkable technology and innovation. The bad news is the longer we live, the more healthcare we're going to consume. And the more innovation we bring out, the more expensive it tends to be. And so being able to coordinate that and find that sustainable path forward, as you said, I think is more important than ever.

And for us, look, it starts first with innovation and really trying to bring products to bear that make a big difference for patients. And I've been in this industry a little while, and I can remember about 25 years ago when we were criticized as an industry for having a lot of me-too drugs that really were more about lifestyle modification than they were cures and breakthrough treatments. And I compare and contrast that today where – and, again, I'm sure Ken would probably reinforce to this later on, to be able to say cure in our industry is what you dream for.

And to see so much science now that's leading in the direction of taking diseases that were a death sentence and now we're either them to a chronic disease or we're on the cusp of a cure is really remarkable. And so making sure that we stay focused on what is that – what's that potential treatment for Alzheimer's, how can you make sure things like breast cancer, prostate cancer, have much, much better options. And then, of course, make sure that we're demonstrating the true utility, the full efficacy and side effect profile, the compound, true clinical – true robust clinical trial system.

So it's not just enough to get approved, but it's actually enough to demonstrate its value, its broader applications, broader utility. It's about looking at the impact. One of the issues that we faced so often in this industry is, we're bringing products to market today, again, that fundamentally change the impact on the entire healthcare system. So also trying to understand what that impact is and better characterizing it in how you price and how you talk about the value that you're providing.

And then, very importantly, it's about being transparent. And I think that's a major push that the industry is on, that I know Johnson & Johnson is certainly on. Just last year, we came out with our first transparency report and our commitment about pricing. And not only how we originally priced a product, but what our pricing increase policy is, how we look at that. And then, of course, it's how you make sure that these products can be available to people through the contracts that you're putting into place and through areas outside the United States where they cannot afford, that we make sure that these products are available to the appropriate assistance programs.

So those are some of the things that we're trying to do. But I think there is still a lot more that not only companies like J&J, but the industry will need to do, particularly as we see these very significant advancements in technology and innovation that I think are going to only explode more over the next 5 years or 10 years.

<<Mark Tulay, Strategic Investor Initiative>>

One element of transparency that's been in the front pages is related to how companies are making capital allocation decisions based on the tax cut reform. How does J&J go about making its capital allocation plans and what are the priorities? And how do you describe that to – would you described that to the investors in the room?

<<Alex Gorsky, Chairman and Chief Executive Officer>>

Sure will. I think after our credo and our people by far, the most important thing you do is think about how do you invest capital over the long term. And as mentioned earlier, given that we've been in place for over 132 years, given that some of the compounds that we're working on today may not be on the market for another 10 years or 15 years. And it's, literally, impossible to do the job right in our industry if you're not looking out on a long-term horizon.

And again, consistent with the earlier comment that I made, it starts with making sure we're investing at the right level of innovation. And for J&J, well, I'm very proud of the fact that this past year, we were the fifth largest investor in the United States in innovation. And this is across all industries. And we were the 10th largest investor around the world in innovation. And that's to the tune of about \$10.5 billion. And if you couple that with a lot of the acquisitions that we did, which in our business tends to be earlier innovation, again, there's anomalies from time to time, that's an additional \$35 billion that would go on to that \$10 billion.

So it's making sure, first and foremost, that we're investing in our business for the future at a competitive rate and at a way that's going to ensure that, frankly, we're developing those next

new approaches many years down the road. After we've invested in our business – and by the way, that includes not only investing in innovation, but includes investing in our people and the kind of the things that we talked about earlier, making sure they can be their best, making sure they've got the right kind of training and development programs, making sure that we're competitive.

Then what we do is we prioritize a dividend to our shareholders. And we realize that the majority of our shareholders are long-term shareholders. They're pensioners, they're governments, they're charities, they're other people around the world that are depending on us, and we benchmark that so that it's done on a sustainable basis, and it doesn't exceed our ability to do that again over a long period of time. After the dividends, we then look for what are the other ways that we can create value such as M&A that I mentioned earlier. And we're disciplined there. And in frothy markets, it can cause a lot of anxiety because people might say, Why are you doing that? We'd say, well, at the end of the day, if we're not actually creating value – and the markets do a pretty good job overtime, not always in every window, of pricing these assets.

So when you're going to go in to say that you either have to have a lot of insights on how you're going to make it that much bigger or plans to really make it a lot smaller. And they all have their puts and takes. But to do that effectively, and especially if you use a DCF analysis over time, it's important, I think, to have that discipline. And then once we've done that, if there's still capital left over, look, we'll look at buybacks as another opportunity. But only after we've exhausted those things.

And I think the other true benefit that we have at Johnson & Johnson, because we have a AAA credit rating, one of only two companies to have it, a 55-year track record of increasing our dividend and about a 33-year track record of increasing our EPS, as my CFO will frequently say, don't break that chain, we will do a buyback. But we can do several of these things at the same time, one is doesn't necessarily exclude the other. And so that's the way that we try to look at it.

<<Mark Tulay, Strategic Investor Initiative>>

Thank you. We have time for a couple of more questions that I'll ask, and then we'll open it up to the floor. So let's pivot to talk about the role of the board. What is the role of J&J board in setting corporate strategy? And how does the composition of the board, today and in the future kind of impact there.

<<Alex Gorsky, Chairman and Chief Executive Officer>>

There are – look, I'm blessed to have a fantastic board to help guide the strategy and to, ultimately, look after the interest of the shareholders. And I think it really starts with the people that you select for your board. And at Johnson & Johnson, look, my predecessors, who I was very fortunate to follow, I think were wise and that of the approximately 12 chairs that we have on our board, about 25% to 30% we reserve for scientists. Because science and innovation is just so inherently important to our future, we feel having people on the board who doesn't necessarily come from the business community, but really understand and to help guide that science always have a voice.

And we have a very strong science and technology committee that's engaged that does ongoing portfolio reviews of our early science, or mid-stage science, any of the M&A activity that we try to do, it's a constant and ongoing dialogue. Next, it's about making sure that you've got the skills among your business people. Look, are they reflective of the environment that you're operating in? So if you look at our environment, what about government, what about customers, what about technology, what about compliance. And making sure that your board members are seasoned leaders in those different areas is very critical, and I'm fortunate to have that.

And then, certainly, another important component is diversity, because if we all look alike, talk alike, sound alike, we probably don't need all 12 in the room. It would be a lot more convenient to do it, but it's when you bring a rich perspective of backgrounds, of life experiences to bear that sometimes can even create more dialogue but, frankly, that's how you get to the best decisions. It's something that we – so whether it's the gender composition of our board or other backgrounds, it's something that we take a lot of time because, again, I think it's – yes, it's part calculus, but it's also a lot chemistry.

And getting that right for your board, again, so you have a long-term sustainable outlook is more important than ever and then look boils down to process. It's being involved in rigorous strategy reviews. And not just let's in bring the PowerPoints that are neither pointed nor powerful, but let's bring in and assume everybody did the pre-read, and then let's have a debate. Let's really have a rich discussion about underlying assumptions in our business, about our model that we go at back and forth.

It's about then having ongoing check-ins along the way, not just – it's not strategy where we give you the binder or the iPad once a year and then we forget about it, then we just get to the mundane stuff. But it's constantly tethering back to that strategy and say here's what we're doing today, here's how relates to our long-term and by the way, here's how we're going to score ourselves in near-term and long-term performance to hold ourselves accountable.

It's about making sure you're – the board's engage constantly in succession planning and people development. And again, not just the one and done, but every meeting, we try to bring some of our leaders in and our people so that the board gets a chance formally and informally to be engaging, to ask questions. As I like to say, if you do that with a few hundred people, it's hard to fake it versus just your top 20, just your top 30. And so putting that kind of an expectation process in the board is, I think, really what brings that overall vision to life.

<<Mark Tulay, Strategic Investor Initiative>>

So lots of what I'm hearing about today, which is fascinating, is I've looked at kind of how do you measure corporate culture for the last 25 years. This is providing insight into how you measure, really, corporate culture, how you understand it, how you tell if it's impactful or not. And we're lucky to have Marjorie, kind of introduced earlier from the Robert Wood Johnson Foundation, talk about a culture of health. A culture of health in the community. A culture of health in the company. How does Johnson & Johnson kind of look at the culture of health in terms or kind of driving business value?

<<Alex Gorsky, Chairman and Chief Executive Officer>>

Well, it's something that we are really passionate about. I mean, we don't only want to be the largest, most diverse company – healthcare company in the world, we want to be the healthiest healthcare company in the world, because, frankly, how can we get up and talk about our mission if we're not living that each and every day? And one of my predecessors Jim Burke, back in the 1970s, had the foresight at that time to say, "You know what, we need to do a better job of helping our employees be healthy." And he started a live for life program that involved pretty basic things at that time, such as if you worked out a couple of times a week, you'd get extra points and you'd get a nice T-shirt or something like that.

Through the years, it evolved to how can we get people more engaged in some of the healthcare choices to where now, look, I'm very proud. We've got employees around the world who are engaged in their health. So 95% of our employees know their numbers. Because if you know your health, what I mean by that is do you know your heart rate, do you know your blood pressure, do you know your lipid count, do you know all your basic vitals? We have over 95% of our employees know that.

We've created the Human Performance Institute, a company that we bought many years ago, that talks about how can you look at areas diet, like energy, like exercise, like sleep. And how – what's the right combination for you as a person. Because it's not a cookie-cutter approach where we expect everyone to eat like this or be a triathlete or do this, but how can you take this different principles and incorporate them into your unique lifestyle to help you be better, because when you're more energized, when you've taking care of yourself, you're going to be a better leader, you're going to be more engaged and what it shows us is that we look at leaders – and by the way, we've already had about 50,000 of our 140,000 employees go through, and we'll have everybody go through by 2020. We see engagement scores go up. We see rates of promotion, retention go up. It's all tied together.

And look, I think all of us all too often, we think about our careers in terms of what are we doing on the job. And what you don't want to do is spend your entire career so focused on "delivering the numbers or the tasks," and meanwhile, you haven't taken care of yourself and you get ready to retire and then you have an untoward health event, what's it all for? And making sure that through programs like that, for a young mother or a young father to have time off with their newborn. And then – and frankly even the way our facilities are designed that it's all supportive of this culture of health. We're absolutely certain that not only is it the right thing to do, but it's going to be better for them as leaders and employees going forward and, ultimately, better for Johnson & Johnson.

Q&A

<Q – Mark Tulay>: Excellent. So we still have time for questions. Any questions? I have plenty. I can continue this conversation. I can continue for a long time. I do have one before we turn it to the crowd. Switching gears to politics a little bit, which I know we're not supposed to do here,

but I'm going to break the rules. So see what happens when you don't ask questions. Would you agree that we live in a new era of socially responsible capitalism?

<A – Alex Gorsky>: Yes. Just kidding. Absolutely. Look, it comes with the territory today. And there's not a day where you're, literally, not inundated with not only a business, but a social, a political or other issue. And we've got a lot of the stakeholders. We've got a lot of constituencies. And I think today in a corporation, in the leadership – not only the role of the CEO but, literally, any of the senior leadership team on the board, making sure that you engage in the right way and are having a discussion, a conversation with those stakeholders, again, internal and externals more important than ever.

<Q – Mark Tulay>: Excellent. There's a question here in the front. Doug, I'll go with Doug and then – does anyone have a mic that we can pass around?

<Q>: [Question Inaudible]

<Q – Mark Tulay>: No, that's okay. We needed a – this is being live streamed for their Wall Street webcasting, so there's probably over 2,000 folks listening remotely, so no pressure.

<Q>: Thank you, Mark. I've come a long way coming from Australia last night, so I'm really delighted to be here. My question goes back to Mark's question before about the culture of health. But first, I'd like to commend you on the work that you're doing around that. I think it's absolutely the new wave that will go through a lot of companies and drive value. Just a quick question around that. All those metrics that you sort of described around retention and performance and talent, what do you think's had the biggest impact in the value to your company around those culture of health work that you've been doing?

<A – Alex Gorsky>: And it's really difficult to discern and kind of put your finger on one issue, but I think more than anything it leads through our engage – overall engagement. And particularly with the millennial generation who definitely want to be part of something bigger than themselves, not to say that some of us who are boomers didn't want to be something bigger than ourselves, but it's a bit of a different perspective. The other thing interestingly enough that we found particular millennials is they want to be engaged with others in their pursuit of giving back or being healthy.

So two years ago, for the first time, we instituted this really cool application. It was a bit of a contest where we traced one of the original around the world trips that General Robert Wood Johnson made early on when they were looking at how to globalize J&J, but we turned it into a step contest. And we did it by group and by team, and the millennial engagement level, when we turned it into a kind of healthy competition of the young, it was remarkable.

And so, again, what we find is that it's not just one flavor that connects with everybody. It's making sure that you have a lot of different tools, a lot – for some people, it's about me as an individual and I want to have it done as privately as possible. For others, they want to be part of a big group effort, be part of the team. And so being flexible and not being cookie-cutter in that approach is absolutely essential.

<Q – Mark Tulay>: Could you please hand the mic to Doug.

<Q>: One of the things I love about change, and I'm not playing up – well, yes, I am. I'm playing up to you a little, is that you have great intentions and that's beyond argument. But I love the way you put some meat on the bones and you hold yourself accountable and you created a scorecard, we talked about last year here, so that you're going well beyond intentions. Intentions are admirable, but you're also you're holding yourself accountable on some key dimensions of this culture building thing. How has that worked for you?

<A – Alex Gorsky>: Yes. Yes. I think it's been critical for our organization. And what I mean by that is, look, as all of us know who have sat on boards or have been in very senior leadership positions, you can be scorecarded to debt with the crisis du jour or what's in front of you today. And you have such a menagerie of green, yellows, reds, oranges and different colors, and it can be a bit overwhelming. And in that moment, also being able to connect that to wait a minute, how does this relate to our five and 10 year plan overall? So, yes, are we delivering this particular milestone, in 2017, 2018 and 2019, but taking it up a level and saying, how does this directly relate to our 10 year revenue plan, or income plan or innovation plan, capital allocation plan, is something that we spend a lot of time on.

And I know it's – and what I found is that by putting in a more explicit scorecard with the board, now what that's done is that's trickled through the rest of the organization, where we're asking them, okay, not only what's your annual plan, but then how does this relate back to your strategic plan and your ability, because that's where you see, look, are you balanced in your investments? Are you balanced in the way you're managing risk? Are you balanced in all these other areas? So there's – that's the way that we try to look at it.

<Q – Mark Tulay>: Here in the front.

<Q – Nili Gilbert>: Hi, Nili Gilbert, I'm a Co-Founder and Portfolio Manager at Matarin Capital.

<A – Alex Gorsky>: Hi, Nili.

<Q – Nili Gilbert>: Hi. Thank you for all that you've shared about the role that purpose and credo plays in your business planning, and also what you've shared about what you've done internally to measure and benchmark that. At Matarin, what we try to do is identify what makes great companies for the long run and then quantify that, importantly, so that we can also compare each company relative to its competitors. Can you give us an idea of how would you think about metrics that we can observe externally to allow us to be able to compare J&J to its peers that would give us a sense of whether you're achieving your long-term goals with regard to culture and purpose, or any other metrics that you think are relevant for making J&J a great business for the long-term?

<A – Alex Gorsky>: Sure. The goals that we state for ourselves, I think, are the – very similar of the goals that we're working in your area. And it would start with how innovative are you relative to your competitive set or into your market? How well have you performed in terms of

revenue generation and market penetration? Because I think one gives you a sense of reaching unserved or underserved populations or markets; the other gives you a sense of how competitive you are. The other area that we look at over time is what's the financial health of a particular unit or of a company look like. And we benchmark that religiously to make sure that not only are you focused on growing your top, but also that you're taking a very disciplined and decisive approach through the way that you're managing the business.

So what that would mean, over time, you should be having a focus on effectiveness and efficiency. And it doesn't mean necessarily every six month period or every 12 month period, but over time that should definitely be reflective. We also look at it in terms of our engagement with our employees. And we also use a range of external benchmarks as well regarding how you are regarded as a company. Now I think this one you have to be careful because you can chase every list that shows up about the most this or the most that, and I think you have to be thoughtful. But over time, you can pick up on those measures. And again, we – those are the things that we look at across our business and that we, ultimately, report down to our board and hold ourselves accountable for.

<Q – Mark Tulay>: With that, I wish had more time. We need to stay on schedule. My one rule: You start on time, you end time. I want to keep to that credo. And I just wanted to end by just thanking Alex for not only his leadership, his company, but also for joining with Bill McNabb as the co-chair of the strategic investor initiative. So part of your question to answer your question is, we'll be working to get you those kind of long-term metrics, we'll be working to get you that framework so that this can be not just a qualitative exercise, but a quantitative exercise.

<<Alex Gorsky, Chairman and Chief Executive Officer>>

Yes. Thank you very much, everybody. Thank you, Mark.