

SHAREHOLDER PROPOSAL REGARDING GOVERNMENT FINANCIAL SUPPORT AND ACCESS TO COVID-19 VACCINES AND THERAPEUTICS

RESOLVED that shareholders of Johnson & Johnson (“JNJ”) ask the Board of Directors to report to shareholders, at reasonable expense and omitting confidential and proprietary information, on whether and how JNJ subsidiary Janssen’s receipt of government financial support for development and manufacture of vaccines and therapeutics for COVID-19 is being, or will be, taken into account when engaging in conduct that affects access to such products, such as setting prices.

SUPPORTING STATEMENT

Janssen has received substantial government funding for COVID-19 related research and development. In February 2020, Janssen entered into a “collaborative partnership” with U.S. Biomedical Advanced Research and Development Authority (“BARDA”), receiving \$456 million in federal funding to develop a COVID-19 vaccine.¹ BARDA provided \$152 million for Janssen and a partner to develop therapeutics.² BARDA committed \$1 billion more in August 2020 to expand Janssen’s vaccine manufacturing capability.³ In November 2020 BARDA committed an additional \$454 million to finance Phase III vaccine trials.⁴

JNJ has been distributing its COVID-19 vaccine on a “nonprofit” basis, but that commitment is limited to “emergency pandemic use.”⁵ CFO Joseph Wolk predicted that nonprofit pricing would conclude by the end of 2021.⁶

JNJ has not clarified what “nonprofit” means when the government funds a significant portion of the research and development cost. If COVID-19 vaccines must be readministered regularly, as many experts predict,⁷ demand will outlast the pandemic. The potential market will be vast.

¹ <https://www.jnj.com/johnson-johnson-announces-collaboration-with-u-s-department-of-health-human-services-to-accelerate-development-of-a-potential-novel-coronavirus-vaccine>.

² <https://www.reuters.com/article/health-coronavirus-usa-funding/factbox-u-s-pours-billions-into-development-of-coronavirus-vaccines-tests-idINL4N2D32T5>.

³ <https://www.hhs.gov/about/news/2020/08/05/hhs-dod-collaborate-with-johnson-and-johnson-to-produce-millions-of-covid-19-investigational-vaccine-doses.html>.

⁴ <https://www.prnewswire.com/news-releases/johnson--johnson-and-us-department-of-health--human-services-expand-agreement-to-support-next-phase-of-covid-19-vaccine-candidate-research-and-development-301173112.html>.

⁵ <https://www.jnj.com/johnson-johnson-covid-19-vaccine-authorized-by-u-s-fda-for-emergency-use-first-single-shot-vaccine-in-fight-against-global-pandemic>.

⁶ <https://www.bloomberg.com/news/videos/2021-07-21/j-j-cfo-not-for-profit-vaccine-price-likely-to-end-in-2021-video>.

⁷ E.g., <https://www.nature.com/articles/d41586-020-02278-5>.

Scaling up production of low-cost vaccine is critical to ensuring universal access, which can prevent domestic outbreaks,⁸ reignite the global economy, and boost investor returns.⁹ As of October 21, 2021, high-income countries have administered 134 doses per 100 residents, while low-income countries have administered only 4 doses per 100 residents.¹⁰ Accordingly, JNJ faces enormous pressure to share intellectual property associated with the vaccines or therapeutics that public entities like BARDA fund. However, Janssen's agreements with BARDA have been criticized for limiting the government's intellectual property rights,¹¹ which could restrict mass production commensurate with global need—increasing price, decreasing supply and preventing universal access. The company has met only a fraction of its production goals – delivering about thirteen percent of promised doses,¹² missing significant profits as a result - which comes at the expense of the company's reputation, investors' returns, and those dying of COVID-19.

JNJ references tiered pricing espoused by the Gates Foundation as informing pricing, yet tiered pricing structures exclude low- and middle-income countries that cannot pay unaffordable prices. The company does not disclose how public financial support factors into its approach to ensuring access for its COVID-19 products. This Proposal asks JNJ to explain how the significant contribution from public entities affects its actions, including pricing, that impact access to COVID-19 products.

⁸ See

<https://www.americanprogress.org/issues/healthcare/reports/2020/07/28/488196/comprehensive-covid-19-vaccine-plan/>.

⁹ <https://www.wsj.com/articles/covid-19-vaccine-deployment-would-give-global-economy-a-lift-next-year-11601820001>.

¹⁰ <https://ourworldindata.org/covid-vaccinations> (last visited Oct. 22, 2021)

¹¹ <https://www.keionline.org/wp-content/uploads/KEI-Briefing-OTA-29june2020.pdf>, at 4.

¹² Analysis of Airfinity data (29th October 2021).