

Social Risk Screen: Johnson & Johnson (NYSE:JNJ)



Your trust is in safe hands

In the past 100 years, more than a billion families and healthcare professionals have placed their trust in our products. And we have honored their trust by delivering superior products of high quality standards, conforming to strict safety guidelines.

We are concerned about issues raised in certain media around safety of our products. This statement aims to make it clear that there is no scientific foundation about presence of any contaminant substance in our product. We are confident in the safety of all our products which we offer to our consumers.

In 2007, 13 batches (equivalent to 3 days of production volume) of JOHNSON'S® baby powder were additionally tested using Ethylene Oxide.

This additional process was in fact followed to ensure complete safety of our products on babies by eliminating any harmful microorganisms on account of engineering required on these batches.

Representative batches were tested later to positively demonstrate absence of any residue. The product shelf life ended in 2010 and there have been no consumer complaints against these batches.

Ethylene Oxide treatment is internationally recognized as a safe method and is commonly followed for various categories of products including Food products e.g. spices & flour; Pharmaceuticals e.g. antibiotics & capsules and I.V. saving Medical Devices e.g. syringes, needles & pacemakers.

Our commitment to safety and health of our consumers has been and will always be our top priority. We once again thank you for the trust you have placed in our products and you have our assurance that we will always honor that trust.

In case you have any other queries, please do not hesitate to write to us at care@jnjmedia.com or call us at 1800 22 8111.

Johnson's baby



“The email response from the 'company that cares' was: "While we understand your concern for your son and your search for answers, we are unable to do anything more at this time." Thanks for caring, Johnson & Johnson.” Commenter, Facebook

EXECUTIVE SUMMARY

Social Risk is the number one source of disruption and the greatest threat to public and private sector organizations around the globe. It remains largely misunderstood, ill-defined, and unaccounted for in traditional risk analysis – leaving businesses highly vulnerable to its negative effects.

Existing Socially Responsible Investing (SRI) options that focus on generating comparable or higher risk-adjusted returns and positive social impact do not accurately identify or measure a Company's Social Risk exposure.

Social Risk Analysis (SRA) measures a company's exposure to adverse consequences stemming from population-based activities and negative public sentiment. It enables investment professionals to reduce variance, increase consistency, identify mispriced assets, optimize long-term returns, safeguard investments from extreme losses, and attract new investors who prioritize socially responsible investment.

KEY ASSUMPTIONS

- Public sentiment of a company's operations and its Socially Responsible actions is a leading indicator of performance and value
- Companies with low Social Risk exposure are more likely to outperform market expectations

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ENODO Global collaborates with investors that seek greater understanding of their Social Risk exposure and have a desire to increase their social impact.

Companies should consider integrating ENODO's Social Risk Analysis into their investment decisions to increase their bottom line, safeguard their reputation, and improve their stakeholder relations.

FINDINGS

Johnson and Johnson's (JNJ) brand recognition and diversified operations in Health & Wellness consumer products, Medical Devices, and Pharmaceuticals mitigate its overall Social Risk exposure. However, questionable business ethics and public relations efforts that fail to address consumer concerns have significantly increased JNJ's social risk exposure. Litigation involving [faulty hip implants](#), and cancer-causing [asbestos contamination](#) in JNJ's signature baby powder prompted severe backlash, especially in South Asia where the Indian government seized test samples and Sri Lanka [halted imports](#). These issues have already impacted operations and leave JNJ vulnerable to negative population-based activities (e.g., online activism, protests, and boycotts), which will have lasting negative impacts on its reputation and value if not properly addressed.



RECOMMENDATIONS

Socially responsible investors seeking to maximize earnings should monitor JNJ's management of these issues. Regardless of litigation outcomes, JNJ should align Corporate Social Responsibility (CSR) activities with public concerns regarding asbestos contamination and faulty products. Moreover, JNJ should implement proactive public relations and marketing campaigns designed to rebuild trust with customers in countries where it operates. Investors can employ ENODO's Social Listening tools to measure the performance of JNJ's initiatives to mitigate ongoing Social Risk and reduce further exposure.

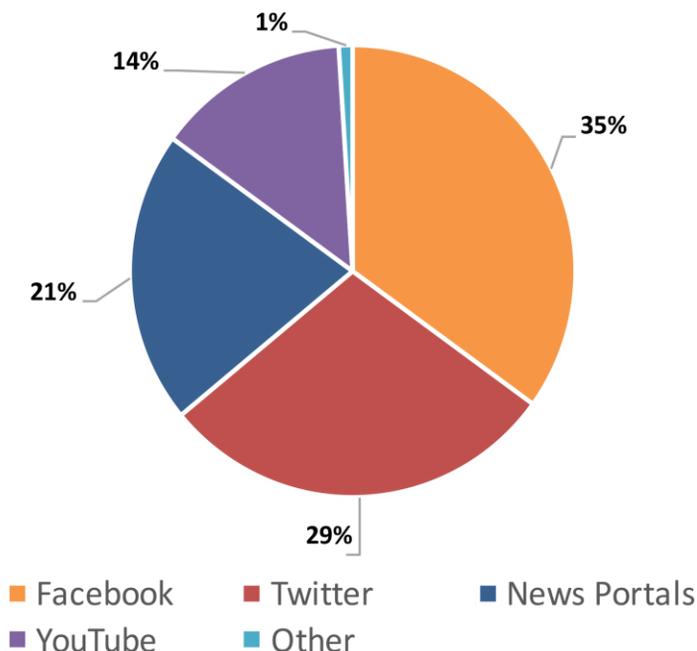
[*Trending tweet on scientific study reporting asbestos in baby powder*](#)

“Johnson & Johnson is pure evil greed. I’d straight up ban this company and never use any of their products for this abomination of poisoning babies and moms with cancer.” Commenter, Reddit

DATA ANALYTICS

ENODO analysts designed and implemented a semi-automated data collection and analysis platform tailored for JNJ’s specific operating environments. Analysts used ENODO’s Social Listening tools to collect information using unique terms, topics, and hashtags across various social media platforms. The platform collected data from a combination of customized Application Program Interface (APIs) and, where relevant, authorized data vendors. It sourced, screened, and analyzed 13,680 Facebook posts, 11,317 Twitter posts, 8,066 news portals and comments, 5,325 YouTube videos and comments, 284 forums, 248 Google+ posts, 40 online product reviews, 37 blogs, and 29 Instagram posts over a 90-day period to inform this report.

- Information was collected from across the globe in 23 languages
- Country-specific information was collected and analyzed in the primary languages used in the US, Switzerland, and China
- Twitter and Facebook comprised 64% of the information



“Until SRA is an accepted financial practice incorporated into stock price, market expectations will remain skewed.” ENODO Global

SOCIAL RISK SCREEN

ENODO's 0 to 10 Social Risk Rating (SRR) is obtained by aggregating quantitative measurement values of sentiment polarities (i.e. positive, negative, and neutral) based upon qualitative context obtained through topic modeling (i.e. classifying the most relevant and discussed topics) across Social Risk factors: Country, Industry, Company, and Politics. Scores for each Social Risk factor are calculated based upon the negative sentiment divided by the sum of negative and positive sentiment associated with qualitative topics. See below for an example:

- Qualitative topic receives 60% positive, 20% negative, and 20% neutral public sentiment
 - $\text{Negative} / (\text{Negative} + \text{Positive}) = 20/80 = 25\%$
 - $25\% \times 10 = \text{Social Risk Rating of } 2.50$

Companies with SRRs below 5.00 are more likely to meet or exceed investor expectations, whereas companies with scores above 5.00 are likely to fail to meet expectations. When used to screen companies within an ESG or SRI portfolio, companies with a SRR of 7.00 - 10.00 should be removed, 0 - 3.00 should be included, and 3.01 - 6.99 left to the discretion of the portfolio manager.

- **High Risk (Fail):** A 7.00 - 10.00 score warns of imminent or ongoing Social Risks that can negatively impact an organization's operations, management activities, and potential earnings. Additionally, management has not demonstrated an understanding of its Social Risk exposure or effective strategy to mitigate its impacts.
- **Medium Risk (Discretionary):** A 3.01 - 6.99 score signifies that an investment is not in imminent danger of loss as a result of Social Risk, however, a change in the management's mitigation strategy or the country and industry environment can impact the SRR.
- **Low Risk (Pass):** A 0 - 3.00 score indicates that a firm is operating in an environment with few Social Risks and/or has an effective risk mitigation strategy in place.

SOCIAL RISK RATING (SRR)

JNJ's SRR is 5.50. This was calculated by averaging the relative sentiment polarity between positive and negative sentiment for each Social Risk factor. The SRR for each Social Risk factor is the average of the Social Risk sub-factors. Each Social Risk sub-factor is calculated based upon the proportion of negative sentiment to the sum of negative and positive sentiment as a percentage of the highest SRR of 10.00.

Social Risk Factor	Social Risk Sub-factor	Positive Sentiment (P)	Negative Sentiment (N)	N / (N + P)	SRR	Factor SRR	Overall SRR
Country						6.33	5.50
	USA	22.86	49.12	0.68	6.82		
	China	17.43	30.45	0.64	6.36		
	Switzerland	30.56	42.32	0.58	5.81		
Industry						6.45	
	USA	21.03	56.32	0.73	7.28		
	China	9.86	72.12	0.88	8.80		
	Switzerland	56.45	27.32	0.33	3.26		
Company						3.65	
	Risk Mitigation Program	36.66	21.32	0.37	3.68		
	Supply Chain/Partners	30.07	31.21	0.51	5.09		
	Operations	31.78	27.21	0.46	4.61		
	Investments	58.67	8.21	0.12	1.23		
Politics						5.57	
USA							
	Ruling Party	26.01	26.97	0.51	5.09		
	Opposition Party	35.02	42.27	0.55	5.47		
	Corruption	16.02	51.70	0.76	7.63		
China							
	Ruling Party	16.32	22.32	0.58	5.78		
	Opposition Party	11.23	18.32	0.62	6.20		
	Corruption	8.47	20.41	0.71	7.07		
Switzerland							
	Ruling Party	8.32	41.65	0.83	8.34		
	Opposition Party	39.56	18.32	0.32	3.17		
	Corruption	71.34	11.21	0.14	1.36		

Table 1. JNJ Social Risk Analysis

OUTLIER

JNJ's heightened Social Risk in South Asia negatively impacts global perceptions. Talc containing asbestos has resulted in government-mandated shutdowns in India and federal bans on JNJ products in Bangladesh and Sri Lanka. An in-depth examination of the India situation is found in Appendix A.

APPROACH

ENODO Global combines its population-centric methodology, advanced data analytics, and customized Social Listening tools to synthesize large volumes of publicly available information from social media platforms, Rich Site Summary (RSS) feeds, online research, and news articles. Analysts employ qualitative and quantitative methods to measure public sentiment associated with key and trending topics and narratives related to a particular company and its operations.

ENODO employs a repeatable, scientific, data-driven process to determine a company's Social Risk Rating (SRR) based upon four Social Risk factors: Country, Industry, Company, and Politics. Analysts conduct topic modeling to uncover trending topics related to the company's operations (e.g., CSR, public relations, supply chain, and investments). Qualitative analysis provides context for analysts to identify a firm's Social Risk exposure. Public sentiment measurements provide analysts a consistent, quantitative process (across industries and geographies) to evaluate a company's operations and its socially responsible actions.

SOCIAL RISK ANALYSIS

Our analysis is based upon the widely accepted concept that investor perceptions determine a company's stock price. Measuring a population's sentiment enables ENODO analysts to identify public perception before the market reacts and adjusts to new information. By focusing on perception, analysts are able to accurately evaluate a company's actions through a socially responsible lens and overcome the deficiencies associated with typical Environmental, Social, and Governance (ESG) screens, depicted in Table 2 below.

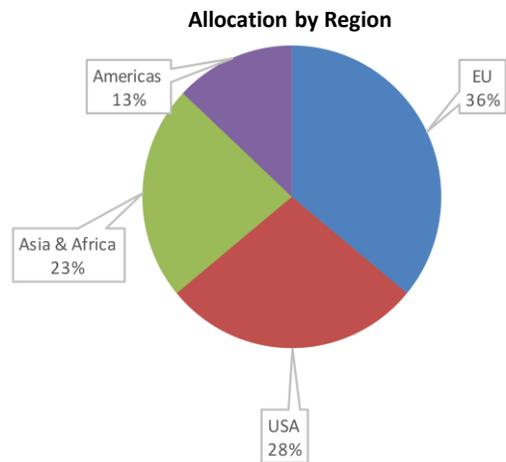
TOPIC	ESG SCREEN	SRA SCREEN
Weighting of Factors	Varies	Consistent
Data Collection	Companies self-report	Multiple external sources
Data Reliability	Removes incomplete data sets	Unlimited data sources
Data Timing	Quarterly lag	Real-time data collection
Data Robustness	Checklists	Single variable

Table 2. ESG and Social Risk Screen Comparison

COUNTRY ASSESSMENT

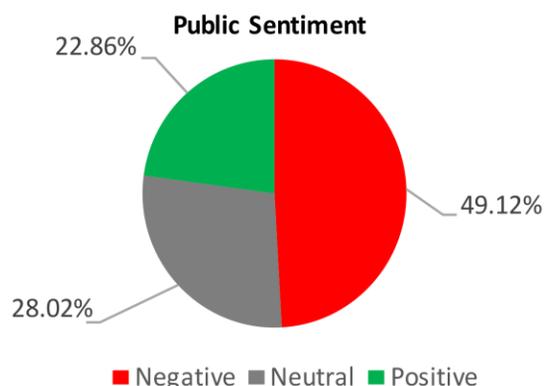
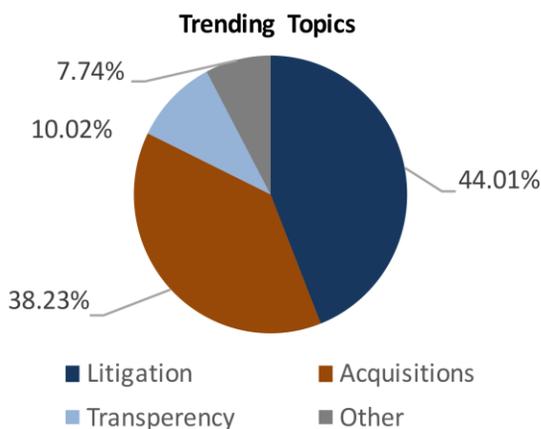
Johnson & Johnson’s labor force is comprised of over 134,000 employees within 260 companies (i.e. subsidiaries) across 60 countries around the world. Analysts identified trending topics and measured public sentiment associated with JNJ across diverse languages and cultures, in the countries with the largest labor forces, to uncover population dynamics that heighten JNJ’s Social Risk exposure.

- Headquarters
 - New Brunswick, New Jersey
- Total Labor Force
 - 134,000 employees
- Countries with largest labor force
 - USA
 - China
 - Switzerland



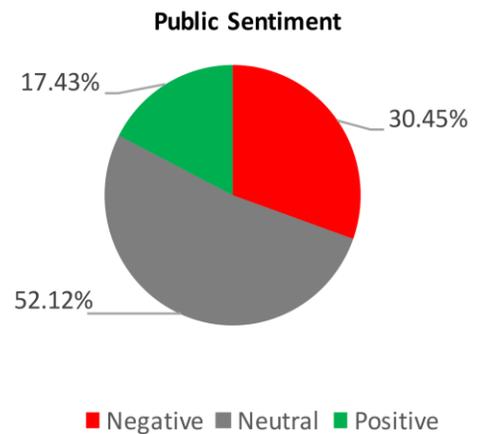
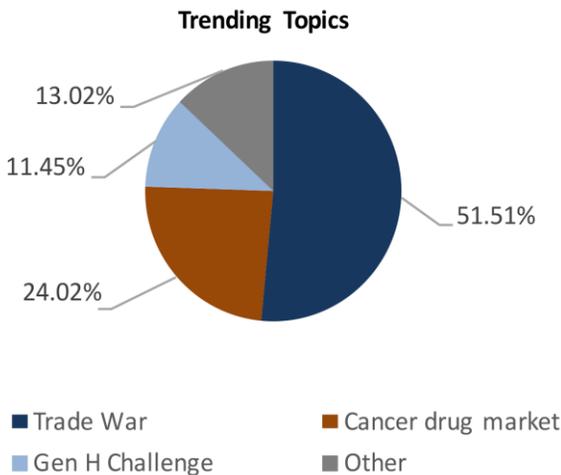
FINDINGS: UNITED STATES

Negative public sentiment (49.12%) is the result of political pressure to reduce [drug prices](#) and recent [lawsuits](#) brought against JNJ in its core divisions due to faulty products that potentially harm consumers. As a result, tremendous public pressure has created various legal proceedings in the US and abroad.



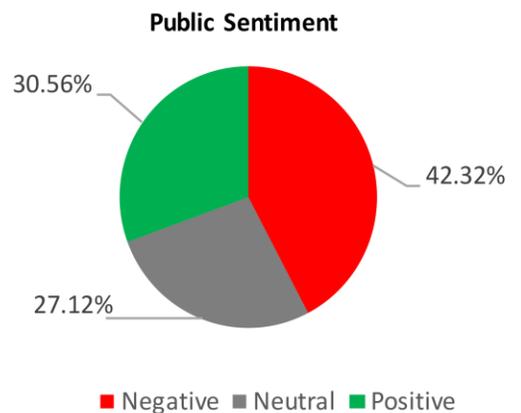
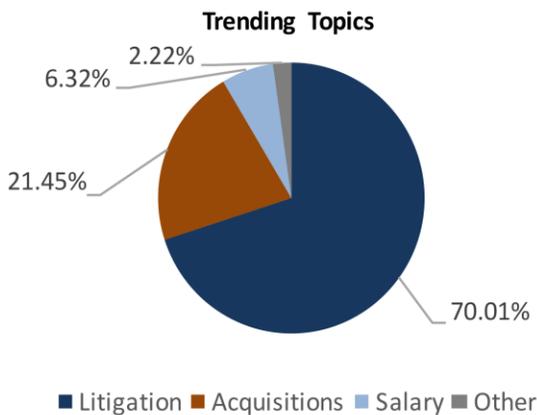
FINDINGS: CHINA

Considerable negative (30.45%) and neutral public sentiment (52.12%) is the result of public uncertainty surrounding the ongoing [trade war](#) and JNJ's aggressive investment in its Chinese operations, one of the global healthcare industry's most populous markets.



FINDINGS: SWITZERLAND

Negative public sentiment (42.32%) continues to increase as Swiss social media users discuss lawsuits against JNJ after unsafe amounts of asbestos were found in its baby powder.



“So America is ok with Johnson & Johnson baby powder, but a third world country is having concerns? Something isn't adding up” Commenter, Reddit

INDUSTRY ASSESSMENT

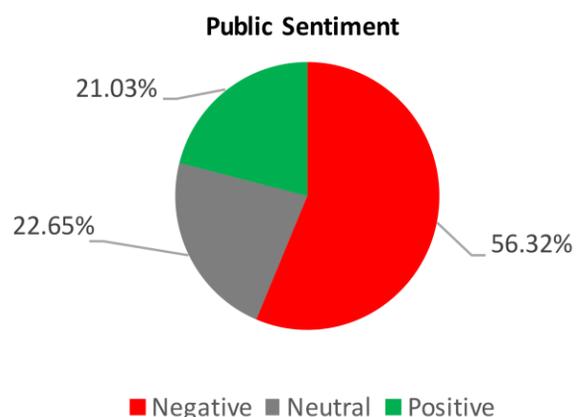
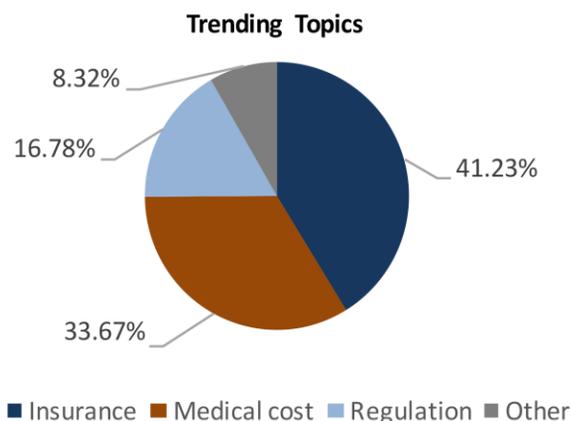
As one of the worlds largest healthcare multinationals, JNJ relies on its brand recognition, diversity, and global operations to maintain and increase its position in the industry. Therefore, it is critical to analyze public perceptions of the healthcare industry in the three key regions where JNJ operates. Public perceptions related to the healthcare industry reveal additional insights into underlying Social Risk factors impacting the company and its operations.

- JNJ centers of gravity are:
 - United States—Headquarters and largest labor-force
 - China—Largest labor-force outside the US (over 8,000 employees)
 - Switzerland—Second largest Labor-force outside the US (over 7,000 employees)

FINDINGS: UNITED STATES

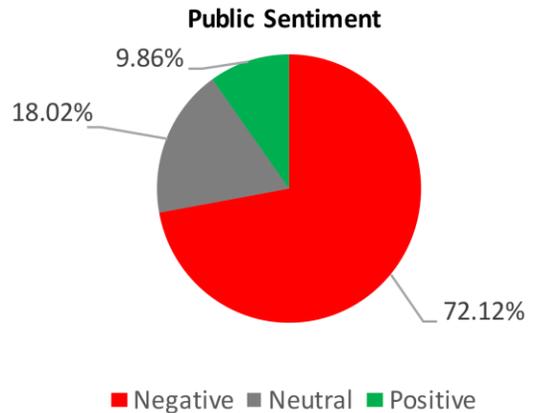
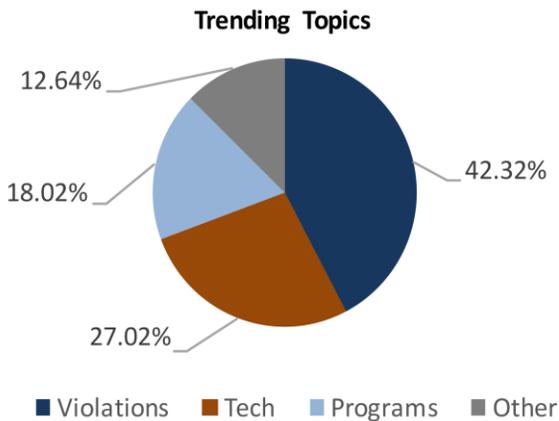
Significant negative public sentiment (56.32%) is associated with what many perceive to be unaffordable costs associated with Health Insurance and medical care.

- JNJ has attempted to reduce negative perceptions by implementing marketing campaigns and branding initiatives centered on transparency
 - JNJ displays medication prices in their television ads



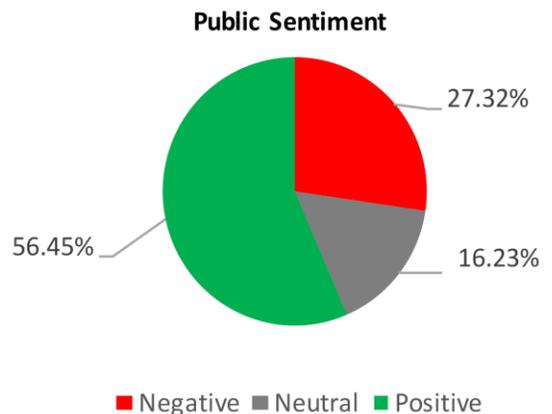
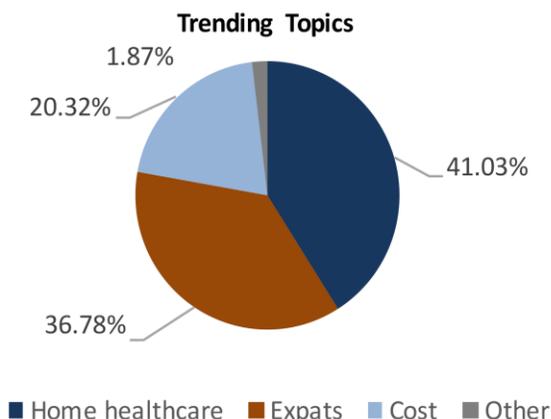
FINDINGS: CHINA

Significant negative public sentiment (72.12%) is the result of mistrust due to healthcare “irregularities” and a [crackdown](#) on fraudulent medical advertising and services as some of the most prominent Chinese healthcare companies stand accused of harming children with their products.



FINDINGS: SWITZERLAND

Positive public sentiment (56.45%) is attributed to the Swiss healthcare system’s efficiency. Negative sentiment rises as prices increase. Switzerland currently spends [12.2%](#) of their GDP on health care, which is the second highest in the world.

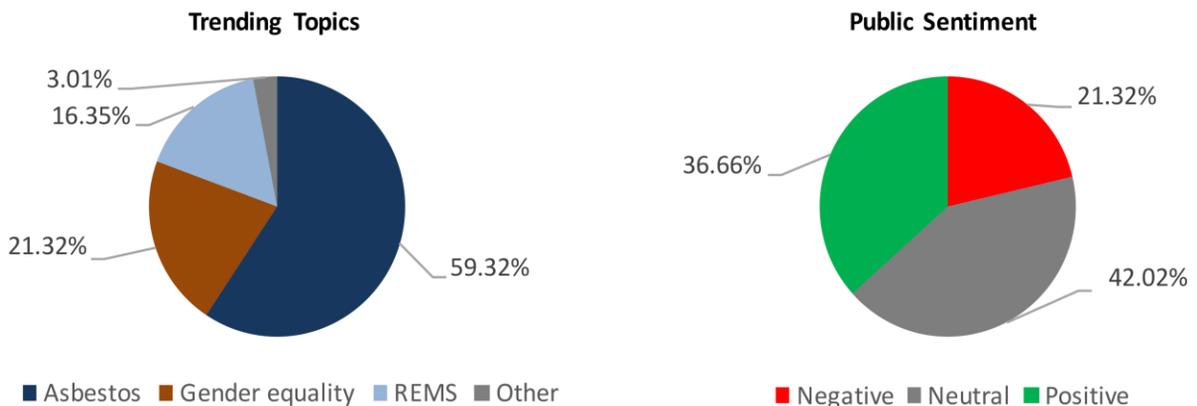


COMPANY ASSESSMENT

JNJ's success depends upon the performance of its operations, partnerships, supply chain, investments, and Corporate Social Responsibility (CSR) initiatives within its Health & Wellness consumer products, Medical Devices, and Pharmaceuticals divisions. Identifying trending topics and measuring public sentiment for each reveals insights into the company's Social Risk exposure.

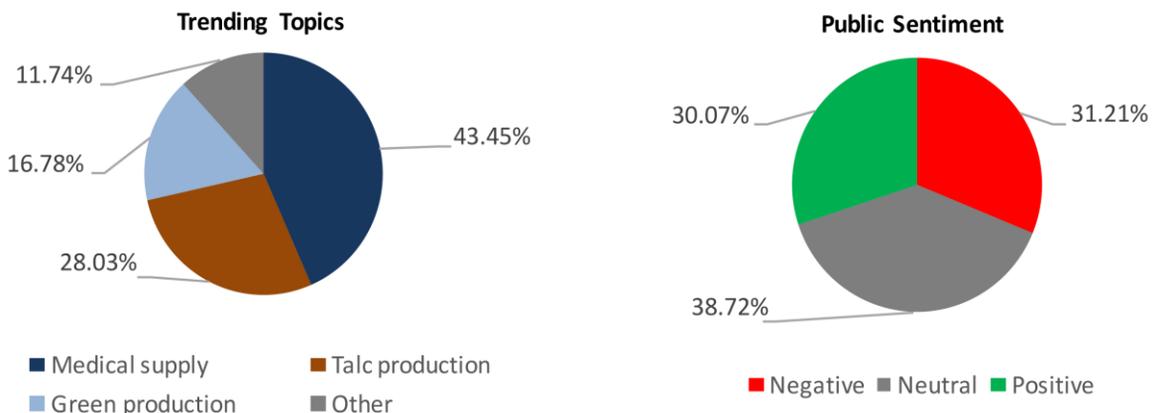
FINDINGS: RISK MITIGATION PROGRAM

JNJ boasts over 133 years of [CSR](#), which is codified in its [Creed](#). Recent lawsuits, however, have eroded public trust and CSR efforts are poorly received due to the damage the company has caused to consumers.



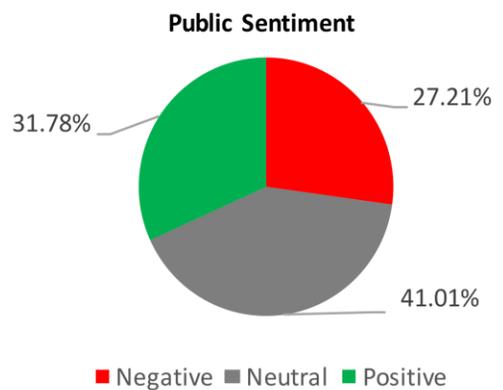
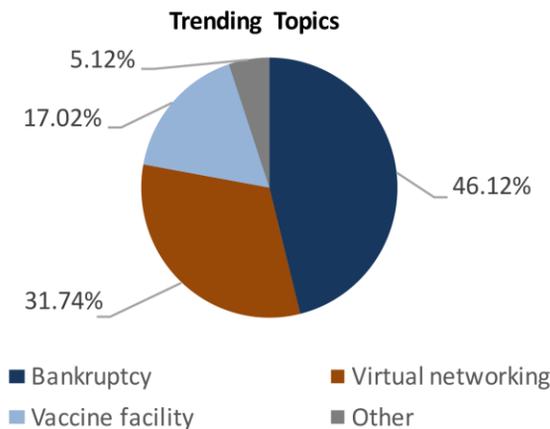
FINDINGS: SUPPLY CHAIN/PARTNERS

French-owned US manufacturer, [Imerys](#), has already filed for bankruptcy in light of 15,000 pending lawsuits related to unsafe baby powder. Indian authorities have shut down two JNJ manufacturing plants after asbestos surfaced in baby powder, resulting in federal bans in other South Asian countries.



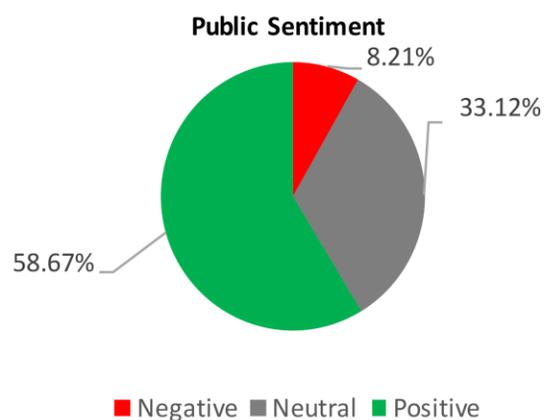
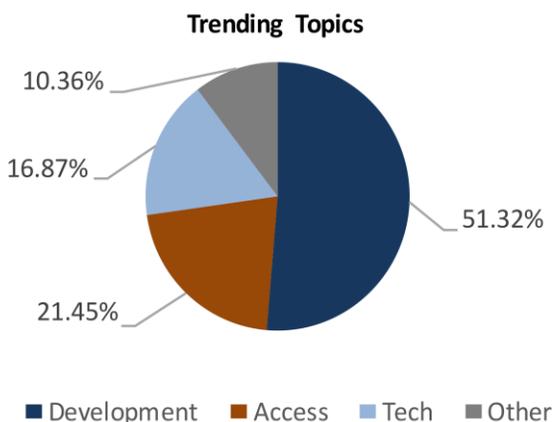
FINDINGS: OPERATIONS

Negative public sentiment (27.21%) is associated with mounting evidence of unethical operations, including recent revelations that JNJ has been [aware](#) that their talc powder contained the carcinogen asbestos since 1971. However, this is offset by the positive sentiment associated with domestic tech [innovations](#) and the launch of new [vaccine](#) facilities worldwide.



FINDINGS: INVESTMENTS

Positive sentiment (58.67%) is associated with JNJ's recent \$3.4 billion [acquisition](#) of a surgical tech company in Silicon Valley and its \$580 million [expansion](#) in China.



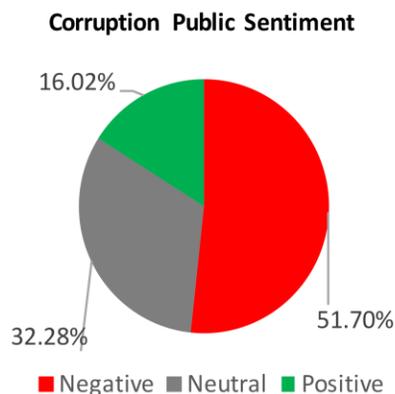
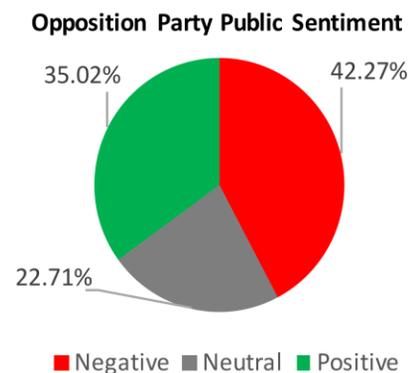
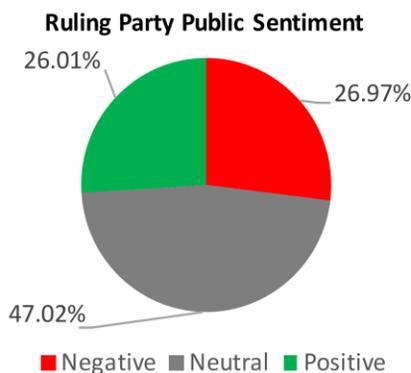
POLITICAL ASSESSMENT

Politics and governance shape policies and regulations, enable trade, and impact labor conditions, which influence public sentiment toward organizations. JNJ's operations in the US, China, and Switzerland are influenced by various political factors. The party in power, the opposition party, and the country's election cycle each trigger issues related to trade, production, and labor. By identifying trending topics and measuring public sentiment, additional insights can be gained to analyze the political environment's influence on JNJ's Social Risk exposure.

FINDINGS: US GOVERNMENT & RULING PARTY

- Head of Government: President Donald Trump (Republican)
- Ruling Party: Republican Party; Opposition Party: Democratic Party
- Next Election: November 2020

Significant neutral sentiment (47.02%) exists due to uncertainty regarding President Trump's proposed [Border Wall](#) and confusion regarding lower than expected [tax refunds](#). Negative sentiment against the Democratic party is linked to growing public concerns about Rep. Ocasio-Cortez's [Green New Deal](#).



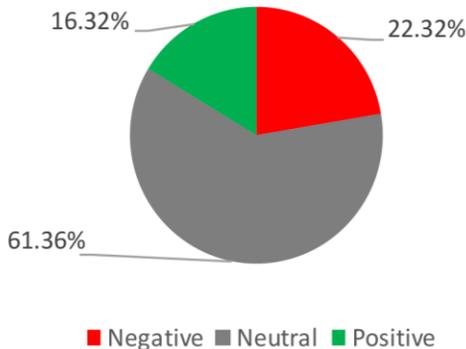
“I’m all for aligning with China and making the death penalty mandatory for drug dealers.” Commenter, Twitter

FINDINGS: CHINA GOVERNMENT & RULING PARTY

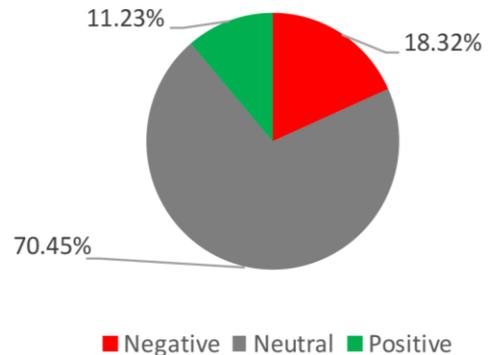
- Head of Government: Chairman Xi Jinping (Communist Party)
- Ruling Party: Communist Party; Opposition Party: N/A
- Next Election: November 2023

Significant neutral sentiment (61.36%) is the result of government-led social media [monitoring](#) and harsh [reprisals](#) designed to discourage dissidence against the ruling party. However, the government’s crackdown on fraudulent and unethical business practices creates a more permissive environment to express citizens’ beliefs. Criticism remains focused primarily on corruption within the business sector rather than vocal opposition to the Communist Party.

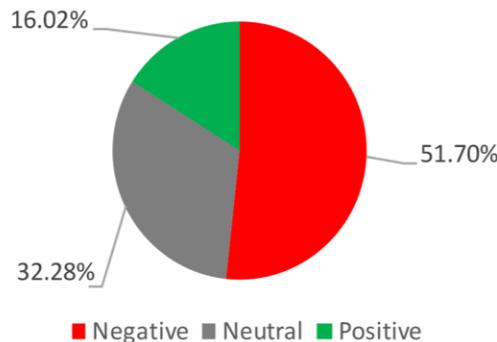
Ruling Party Public Sentiment



Opposition Public Sentiment



Corruption Public Sentiment



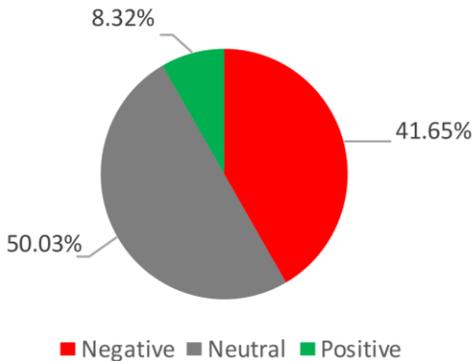
“Switzerland works because it’s highly decentralized not having a strong central government making decisions far away from people.” *Caos, [Twitter](#)*

FINDINGS: SWISS GOVERNMENT & RULING PARTY

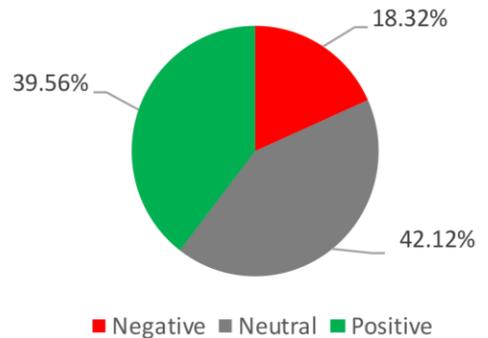
- Head of Government: President Ulrich Maurer (Swiss People’s Party)
- Ruling Party: People’s Party; Opposition Party: Social Democratic Party
- Next Election: 2023

Switzerland’s emerging positions on both [immigration](#) and the assertion of state [sovereignty](#) challenge its traditional policies of open immigration and a neutral alignment with broader initiatives. This has resulted in heightened negative sentiment towards the current government’s brand of right-wing populism and growing positive sentiment toward the opposing Socialist Democrats.

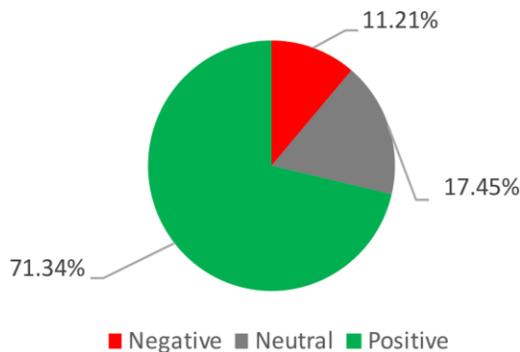
Ruling Party Public Sentiment



Opposition Party Public Sentiment



Corruption Public Sentiment



OVERVIEW

On December 2018, a Reuters special [report](#) revealed JNJ had known for decades that its talcum baby powder was contaminated with asbestos. JNJ's largest talc plant in Asia, located in India, was immediately shut down as the Indian Drug Controller General ordered a team of 100 inspectors to seize samples for asbestos testing.

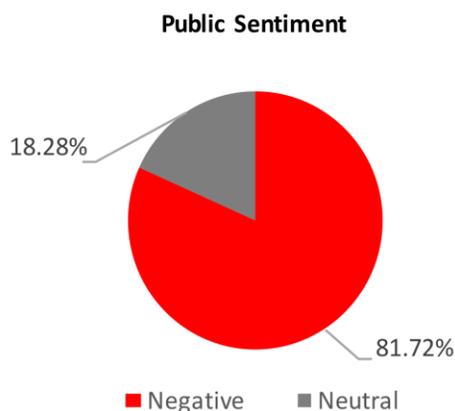
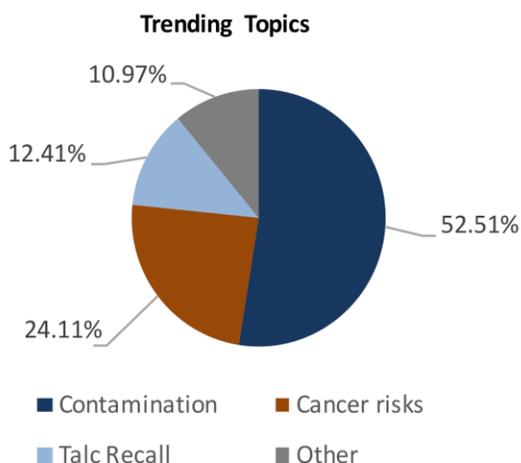
FINDINGS: TOPIC MODELING

Topic Modeling: revealed three (3) trending topics associated with JNJ asbestos contamination from Indian online discussions: (1) Prevalence of contamination in current supplies, (2) Potential cancer risk, and (3) Uncertainty about the recall of existing talc powder.

- **Prevalence of contamination:** 52.51% of discussions were by parents expressing concerns about a possible contamination in the current supplies of JNJ baby power in local stores
- **Potential cancer risk:** 24.11% were concerned about the impact of talc contamination and risks associated with cancer
- **Recall uncertainty:** 12.41% expressed dissatisfaction over the fact that JNJ India did not recall its talc-based products already distributed across thousands of stores in India

Sentiment Analysis: measured Indian public perceptions of trending topics and overall sentiment toward JNJ in light of the asbestos contamination:

- 81.72% of public sentiment was negative, which illustrates concerns of parents as well as the medical community about the ramifications of asbestos contamination



“Johnson & Johnson is pure evil greed. I’d straight up ban this company and not use any of their products for this abomination of poisoning babies and moms with cancer.” Commenter, Reddit

RECOMMENDATIONS

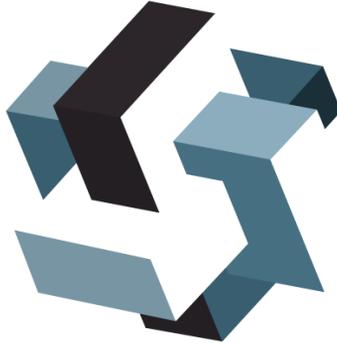
- Conduct [Social Risk Analysis](#) or commission a [Social Risk Action Plan](#) to inform the design and execution of a comprehensive communication and engagement strategy
- Employ social media platforms (e.g., Instagram, Facebook, and Twitter) to disseminate targeted narratives that address public concerns
 - Parenting, child protection, and overall healthcare
- Create a two-way dialogue between JNJ and citizens through medical community professionals
- Address public concerns about baby talc powder contamination
- Support the Indian government’s investigation
- Restore trust between JNJ India, customers, and the medical community
 - Create procedures for recalling products from shelves in a timely manner

DATA ANALYTICS

ENODO’s technology platform sourced, screened, and analyzed 17,548 Tweets, 13,980 Facebook posts, 8,652 YouTube comments, 7,300 news websites, 5,178 blogs, 2,435 RSS feeds over a 90-day period to conduct topic modeling and measure public sentiment on JNJ’s in India.



Image circulating on social media on the asbestos contamination



ENODO
GLOBAL

ENODOGLOBAL.COM | INFO@ENODOGLOBAL.COM

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