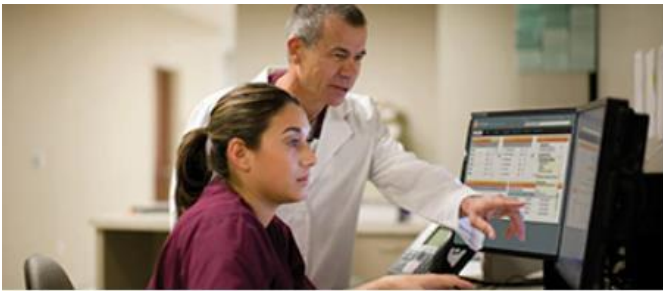


## Constructive Engagement Series **Becton Dickinson (NYSE: BDX)**

**Becton Dickinson (BD) is a global medical technology company that designs, manufactures and sells a broad range of medical supplies, devices, laboratory equipment and diagnostic tools. Their products are used by healthcare institutions, clinical laboratories, pharmaceutical companies and the general public. Material issues for the company include product quality and safety, innovation, supply chain management and access to care.**



Source: Becton Dickinson

We have engaged BD for nearly five years on a range of efforts to increase their sustainability disclosures and ESG performance. Our frequent and productive conversations have demonstrated BD's commitment to integrating sustainability leadership into their value proposition. BD has been a leader among peers in providing investors with ESG disclosure for over a decade. They have reported on material topics such as steps taken to ensure patient safety, product quality, environmental performance and cybersecurity initiatives, which allow investors to analyze the impact to long term shareholder value. Our recent conversations have ranged from their proactive approach to value-based care, supply chain management in the context of climate change and their COVID-19 response. The frequency of our engagements with BD, as well as the integration of material ESG issues into their value proposition, has strengthened our conviction in the company's efforts.

### **OUR PHILOSOPHY ON ESG ENGAGEMENT**

At Rockefeller Asset Management, we believe that rigorous, ESG-integrated analysis coupled with deep shareholder engagement can deliver strong long-term results for our clients. Our research indicates that companies improving their ESG performance will see stronger financial returns over the long-term. Shareholder engagement is a core part of our investment process, evaluated before purchasing a stock and employed throughout the holding period for certain strategies. We appreciate companies that recognize that achieving ESG leadership requires continuous improvement.

### **INVESTING IN VALUE-BASED CARE**

Our initial conversations indicated that BD is committed to strengthening the integration of sustainability into their product development and operational footprint while considering access to care as a part of their sales strategy. In 2017, we met one-on-one with the CEO, Vincent Forlenza, to underscore the importance of linking value-based care to the overall business strategy. Value-based care is an emerging approach where companies are rewarded for improving patient health outcomes. It differs from the traditional fee-for-service model that compensates companies for things like the volume of tests ordered or medications prescribed. In its 2018 sustainability report, BD recognized value-based outcomes as a key material issue for the business. Then in 2019, they stated a clear commitment to improve patient outcomes, reduce the cost of care and expand access as part of its broader focus on innovation. BD calls this "innovating on purpose," which led to significant product launches in 2019. One example is WavelinQ™ 4F Arteriovenous Fistula Creation Device, which helps patients with chronic kidney

disease that need dialysis to obtain endovascular treatment without open surgery. In our most recent call, BD indicated they planned to conduct a patient needs assessment to understand how their products can address the negative impacts of climate change on human health. We believe that health care companies able to generate innovations that improve health outcomes while simplifying procedures and reducing costs have the potential to outperform industry peers. Innovating for value-based outcomes also enhances customer loyalty, employee commitment and overall brand value.

## COVID-19 RESPONSE

BD produces many of the products that have been critical to the global COVID-19 response including swabs, vials used to transport specimens, diagnostic testing devices and syringes. In addition to ramping up manufacturing to meet increased demand, the company put in place manual inventory reviews to enhance equitable distribution of products. It also donated products to relief agencies in the US and abroad.

## SUPPLY CHAIN CLIMATE RISK TRANSPARENCY

In 2020, our discussions focused on improvements to supply chain management including impacts from trade, COVID-19 and climate physical risks after Hurricane Maria damaged a key manufacturing plant in Puerto Rico. In conjunction with diversifying their supplier base, BD has been increasingly taking climate change into consideration. After discussing these issues with the firm, we were pleased with their inaugural

Climate Change Management Report, which is aligned with the Task Force for Financial Related Climate Disclosures (TCFD). We believe that climate risk is investment risk and have been encouraging companies to build plans to manage physical and transition risks and capitalize on opportunities. In December of 2020, BD announced science-based targets aligned with a 1.5-degree climate warming scenario. The targets are to reduce scope 1 and 2 GHG emissions by 46% compared to a 2019 baseline and become carbon neutral across their operations by 2040. We believe that managing climate change risks and opportunities throughout the value chain will enhance their competitive positioning.

## ENGAGEMENT TARGETS

- 1) Assess climate physical risks and publish TCFD-aligned report (met)
- 2) Work with suppliers to enhance resilience to climate risk



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## SUSTAINABLE DEVELOPMENT GOALS



**Goal 3**  
Good Health & Wellbeing



**Goal 12**  
Responsible Consumption & Production



**Goal 13**  
Climate Action

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