



**PRENTISS
SMITH & CO**

Socially Responsible Investment Report for:

BECTON DICKINSON

Franklin Lakes, NJ

Ticker: BDX US Equity

Website: www.bd.com

Last Updated: 03-09-2022

I. Exclusionary Screening

Does BECTON DICKINSON appear on any of the following lists? In our exclusionary screening, a single appearance disqualifies an investment.

Fossil Fuels & Precious Metals Mining

- BICS - Oil, Gas & Coal
- BICS - Precious Metals Mining
- Carbon Underground 200

Agrochemicals & Animal Cruelty

- BICS - Crop Chemicals & Fertilizers
- Cruelty Free Investing 10 Worst

Pornography, Gambling & Tobacco

- BICS - Casinos
- BICS - Tobacco
- Pornography

Defense & Retail Gun Sales

- BICS - Defense Primes
- SIPRI Top 100
- Gun Retailer
- NRA Top Industry Allies

Private Prisons

- BICS - Security Services

BICS = Bloomberg Industry Classification Systems

SIPRI = Stockholm International Peace Research Institute
NRA = National Rifle Association

I. Environmental, Social & Governance Data

What quantifiable environmental, social and governance data, policies or recognition does BECTON DICKINSON exhibit? Positive factors may help support a decision to invest.

General

Dow Jones Sustainability North America Index 2021

Listed

Just Capital Overall (1-954)

76

Climate Change & Fossil Fuels

TCFD Supporter Since

2020

Green Power Usage (EPA)

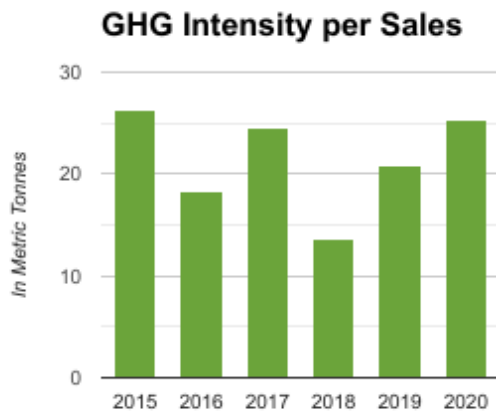
70%

°C Reduction Commitment (SBTi)

Committed

Initiatives and Policies in Place:

- **Climate Change Policy**
- **Renewable Electricity Target Policy**



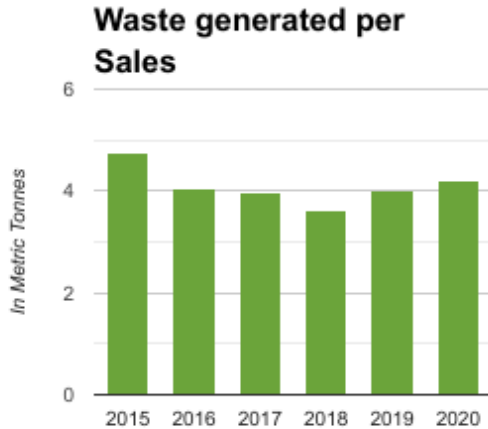
Environmental Stewardship

Just Capital - Environment (1-954)

109

Publicly Disclosed Sustainable Supply Guidelines
Encompassing ESG Area

Yes



Sustainable Packaging

Yes

Green Buildings

Yes

Initiatives and Policies in Place:

- **Social Supply Chain Management**
- **Water Policy**
- **Waste Reduction**
- **Environmental Quality Management**
- **Environmental Supply Management**
- **Emission Reduction**
- **Energy Efficiency Policy**

Human Rights & Well-Being

As You Sow Racial Justice Score (-23 to 62)

26

Just Capital - Workers (1-954)

299

Just Capital - Customers (1-954)

429

Forbes World's Best Large Employers (1-500)

194

Just Capital - Communities (1-954)

23

Initiatives and Policies in Place:

- **Anti-child Labor Policy**
- **Human Rights Policy**
- **Equal Opportunity Policy**

Diversity, Equity, Inclusion and Justice

Forbes Best Employers for Diversity (1-500)

365

HRC Equality Index (100 points)

100

Women Promoted of Total Promoted

45%

Women in Middle Management

39%

Women Executives

13%

Women on the Board

31%

Initiatives and Policies in Place:

- **Has Women Recruiting Strategy**

CEO Action for Diversity Pledge

Signatory

Covers Gender Reassignment Services

Yes

Women Employees

49%

Women in Management

27%

Number of Women Executives

2

Number of Women on the Board

4

Corporate Responsibility

Just Capital - Shareholders (1-954)

372

CPA-Zicklin Political Disclosure and Accountability
Score (1-100)

100

Independent Directors

85%

Community Spending (\$ USD millions)

22.6

Initiatives and Policies in Place:

- **Whistle Blower Employee Protection Policy**
- **Ethics Policy**

Shareholder vote on management remuneration

67.036%

Employee CSR Training

Yes

Data sources may include:

- Sustainability and other report(s) published by the company.
- Banktrack Human Rights Benchmark
- Barron's 100 Most Sustainable US Companies
- Bloomberg LP ESG Data (via Data License).
- CDP
- CEO Action for Diversity & Inclusion Pledge
- Climate Accountability Institute (CAI)
- Corporate Human Rights Benchmark
- Digital Rights Corporate Accountability Index
- Dow Jones Sustainability Indices (DJSI)
- EPA's Green Power Partnership
- Equileap's Top 100 Companies for Gender Equality
- Forbes World's Best Employers
- Fortune's 50 Best Workplaces for Charity and Volunteering
- Fossil Free Funds
- Global Reporting Initiative (GRI)
- Great Places to Work
- HRC's 2020 Corporate Equality Index
- Institute for Clinical and Economic Review (ICER)
- Just Capital Rankings
- KnowTheChain Benchmark
- MSCI ESG Ratings
- National Rifle Association (NRA)
- Newsweek Green Rankings
- PEOPLE's 50 Companies That Care
- Points of Light Civic 50 Honorees
- RobecoSAM Corporate Sustainability Assessment
- Roundtable on Sustainable Palm Oil (RSPO)
- Science-Based Targets initiative (SBTi)
- State Street Global Advisors' Gender Diversity Index
- Stockholm International Peace Research Institute (SIPRI)
- Task Force on Climate-related Financial Disclosures (TCFD)
- The 2019 Top 50 DiversityInc
- The Climate Group's RE100, EV100 and EP100

II. Research Narrative

What else has our research process told us about how BECTON DICKINSON conducts business, in terms of its products and services, its environmental impact, and its approach to governance?

Summary

Founded over 120 years ago, Becton, Dickinson and Company (BD) is a global manufacturer of medical devices and laboratory instruments. The company produces essential hospital and medical supplies such as IV systems, catheters, syringes, pumps, diabetes care products, and medication dispensing systems and software. The company has long been an innovator in the area of safety syringes, which help healthcare workers avoid dangerous bloodborne pathogens associated with needlestick injuries. BD makes medication management platforms that enable hospitals to detect and prevent the diversion of prescription opioids and other suspicious medication dispensing behavior. The company has been on the frontline response to the Covid-19 pandemic, quickly developing Covid-19 diagnostic tests and other products to help fight the pandemic. The company receives high marks for transparency on a number of CSR issues, including annual sustainability reports, CDP reporting since the CDP's inception, and recognition for transparency in its lobbying efforts. The company has also received numerous third-party accolades for its sustainability efforts including inclusion on prestigious sustainable investment indices.

On the other hand, BD has also seen its share of high-profile legal battles and FDA warning letters, including some safety-related issues that are currently still being remediated. We will be monitoring the company's progress in swiftly addressing product safety concerns related to certain infusion pumps, as recent management commentary indicates that the end to these concerns may be in sight. In certain areas, BD's recent 2030+ Goals also leave room for further ambition and specificity; for instance, we will be looking for the company to set Scope 3 science-based targets within the promised 2-year timeline, for it to beat its 1% year-on-year target for improving ethnic and gender diversity at the Management and Executive levels, and for better disclosure to show that it is meeting its non-specific goal to "address the impact of plastics...across the value chain."

Products & Services

Becton, Dickinson and Company was founded by two traveling salespeople, Maxwell Becton and Fairleigh Dickinson, in 1897. The company started as a medical device importer of thermometers and syringes and soon after began its own manufacturing. During World War I, the company invented a cotton elastic bandage, known as the ACE bandage (standing for “All Cotton Elastic”). In 1924, the company produced its first syringe for insulin injection, marking the company’s first endeavor in diabetes care. In 1925, Fairleigh Dickinson received a patent for the Luer-Lok tip, which is a mechanism that enables hypodermic needles to be more securely attached to syringes. In 1954, the company introduced the first disposable syringe made completely of glass. BD became well-known for its disposable syringes and needles and by the mid-1960’s syringes comprised 60% of total company sales.¹ BD had an initial public offering in 1962. Over the years, the company expanded its presence significantly in international markets, such that international sales represented nearly 60% of sales in 2014. Subsequently, BD made two large domestically-focused acquisitions, and its sales mix is now roughly 55% US and 45% international.

The company operates three primary segments: BD Medical (52% of sales); BD Life Sciences (25% of sales); and BD Interventional (23% of sales). BD Medical produces catheters, ultrasonic imaging, vascular care solutions, antiseptics, dressings, IV connectors, syringes, IV delivery systems, infusion pumps, automated medication dispensing equipment, supply management systems and tracking systems, diabetes care products, and prefillable drug delivery systems. BD Life Sciences produces products for safe collection and transport of diagnostic specimens, instruments and reagents to detect a broad range of infectious diseases, and laboratory equipment used to study cells and understand diseases. BD Interventional produces vascular, urology, oncology and surgical specialty products.

According to the World Health Organization (WHO), among the 35 million healthcare workers worldwide, around 3 million suffer needlestick-related exposure to bloodborne pathogens each year. The WHO estimates that these injuries may result in 15,000 hepatitis C virus infections, 70,000 hepatitis B virus infections, and 500 HIV infections annually, with over 90% of those infections occurring in developing countries.² As a manufacturer of safety injection needles and

¹ <https://marketrealist.com/2015/12/becton-dickinson-company-leading-global-medical-device-company/#:~:text=Becton%20and%20Fairleigh%20S.,and%20was%20incorporated%20in%201906>.

² <https://www.who.int/whr/2002/chapter4/en/index8.html>

syringes, the company designs products to help protect healthcare workers from needlestick injuries and exposure to bloodborne pathogens. The company claims to offer one of the most complete lines of advanced safety-engineered products on the market.³

The company developed a product called the BD HealthSight Platform which hospitals use to monitor drug diversion, including diversion of prescription opioids within hospitals and healthcare settings. The system supports enterprise-wide medication management and uses machine learning to automatically flag suspicious medication dispensing activities.

In response to the Covid-19 pandemic, BD launched multiple new products aimed at detecting the virus, including molecular diagnostics tests. The company makes specimen collection products such as swabs and vials and notes that its medical delivery devices could help support the deployment of Covid-19 treatments and vaccines. The company also donated \$1.2 million in cash and products to Covid-19 response efforts in the US, Europe, Latin America and China.

Environment

BD has maintained a relatively high level of transparency on CSR issues, publishing annual sustainability reports since at least 2009 and reporting to the CDP since its inception in 2003.

BD launched its 2020 sustainability goals in July 2015 with 4 focus areas: Innovation, Healthcare Access, Efficiency, and Empowerment. Efficiency was the environmental pillar of BD's ESG strategy, with the company having aimed to reduce GHG emissions, minimize its environmental footprint and conserve natural resources, establish a supplier responsibility evaluation methodology, reduce priority materials of concern, and improve life cycle impacts of its products.

The company achieved its Scope 1 and Scope 2 GHG emissions reduction and water reduction targets. Despite increased revenues, BD had reduced combined absolute Scope 1 and Scope 2 GHG emissions by 48% since its baseline year in fiscal 2008, and after adjusting for increased revenues, GHG emissions were reduced by 56%.⁴

In 2019, BD continued to make progress towards its 2020 sustainability goals and integrated the C.R. Bard acquisition into its environmental performance reporting. Also in 2019, BD worked with external parties to establish baseline Scope 3 emissions across all relevant categories. The

³ <https://www.bd.com/en-us/offering/capabilities/syringes-and-needles>

⁴ https://www.bd.com/documents/corporate/BD_Sustainability-report-2020_EN.pdf

company noted that the inclusion of C.R. Bard impacted its 2020 performance goals, which were set prior to the acquisition.

During 2019, BD identified over two hundred energy reduction projects across the company that are expected to save over \$5 million in energy costs when completed. The company claims that Covid-19 related budget constraints limited its ability to increase the overall percentage of renewable energy used, but the company expects to continue expanding its use of renewables going forward. The company has been expanding on-site solar power installations and combined heat and power generation.⁵

BD's recent 2030+ Goals build on its 48% emissions reductions since 2008 with targets for additional 46% reductions in Scope 1 and 2 emissions by 2030, as well as a commitment to be carbon neutral across its operations by 2040. While the company says these targets align with the Science-Based Targets Initiative's 1.5-degree pathway, it has yet to set Scope 3 emissions targets, which it promises for 2023. Its plastics and packaging commitments also contain no specifics, although BD does commit to auditing 90% of its supplier spend for environmental (and labor) performance by 2025. The company has previously noted that disposal methods have remained largely unchanged, and that it faces challenges relating to recycling.⁶

Management Integrity and Ethics

BD has been led by CEO Tom Polen since January 2020, replacing 40-year BD veteran Vicent Forlenza (who had been CEO of the company since 2011 and chairman since 2012). Polen joined BD in 1999 after growing an early phase start-up company that was later acquired by BD. Mr. Polen worked at BD in various sales and marketing positions until 2004, when he joined Baxter to serve as Vice President of Strategic Marketing. In 2009, Mr. Polen returned to work at BD to serve as President of BD Preanalytical Systems. In 2017, he was named President of the BD Medical segment and helped lead BD's \$12 billion acquisition of Carefusion in 2015 and the \$24 billion acquisition of C.R. Bard in 2017. From 2017 until he was appointed CEO, Mr. Polen served as the company's Chief Operating Officer.⁷

In the last few years, BD has been spending over \$1 billion annually (or 6.5% of total revenues) on R&D. The company currently has over 250 new products in its development pipeline. These

⁵ https://www.bd.com/documents/corporate/BD_Sustainability-report-2020_EN.pdf

⁶ <https://news.bd.com/download/BD+2030%2B+Goals.pdf>

⁷ <https://www.bd.com/en-us/company/executive-leadership/polen-tom>

investments helped the company introduce 25 new major products in fiscal 2019, including a suite of technologies used to make medication management safer, a high-throughput system for infectious disease diagnostics, an automated sample processing system that enables laboratories to improve efficiencies, and an alternative treatment to open surgery for patients being treated for end-stage renal disease. For the fifth consecutive year, BD was included in the Derwent Top 100 Global Innovators list, which focuses on ranking companies on the number and impact of their patents. In 2019, BD received more than 3,000 patents worldwide.⁸

Becton Dickinson's board of directors has 12 directors, including 4 women directors, 1 non-white director, and 11 independent directors. Company-wide 25% of executives (VP, SVP, EVP) are women and 39% of management positions (manager or director) are held by women.⁹ BD's 2030+ Goals include a commitment to improve ethnic and gender diversity by 1% year over year at the Management and Executive levels.¹⁰

In 2019, Becton Dickinson spent approximately \$1.75 million on U.S. lobbying, which was roughly the same as lobbying expenditures in 2018. The Center for Political Accountability (CPA) recognized Becton Dickinson with a first-place rating on their 2019 corporate disclosure and accountability index, marking the third consecutive year that the company has received a perfect score for transparency on political engagement.¹¹

Over the years, BD has received considerable recognition from third-party organizations for its CSR efforts. The company has been a member of the Dow Jones Sustainability North America Index since 2005 and the FTSE4Good Index since 2003. In 2019, for the first time, BD was named as a Best Place to Work for Disability Inclusion with a score of 90. For the third consecutive year, the company was named to the 2020 list of Best Places to Work for LGBT Equality by the Human Rights Campaign and it received a 100% score on the Corporate Equality Index. BD also made the Bloomberg 2020 Gender Equality Index. In 2019, BD made nearly \$25 million in charitable donations, including cash donations of \$10 million in and \$14 million in product donations.

From 2001 until 2016, BD has been involved in numerous antitrust and patent lawsuits with its competitor, Retractable Technologies. In 2004, BD settled an antitrust lawsuit with Retractable Technologies for \$100 million. Retractable Technologies, which is a significantly smaller syringe manufacturer, claimed that BD prevented the company from accessing hospital sales channels as BD and other medical supply companies allegedly had improper financial connections with large hospital buying groups. In another case in 2014, a jury awarded Retractable Technologies \$113.5

⁸ https://www.bd.com/documents/corporate/BD_Sustainability-report-2019_EN.pdf

⁹ https://www.bd.com/documents/corporate/BD_Sustainability-report-2019_EN.pdf

¹⁰ <https://news.bd.com/download/BD+2030%2B+Goals.pdf>

¹¹ <https://www.bd.com/en-us/company/sustainability-at-bd>

million after finding that BD had violated the Lanham Act's false advertising rules and claims of attempted monopolization based on deception in the safety syringe market. In connection with the verdict, BD recorded a pretax charge of approximately \$340 million.¹² In January 2015, the court denied BD's attempt to overturn the verdict and ordered BD to pay over \$352 million in damages. In 2016, a federal appeals court overturned the verdict against BD, causing the shares of Retractable Technologies to lose nearly half of their value.¹³

In May 2017, the FDA conducted inspections at BD's Preanalytical Systems unit in New Jersey and observed instances of nonconformance with quality system regulations and medical device reporting related to certain blood collection tubes. In 2018, BD received a warning letter from the FDA citing alleged violations of quality system regulations and the law. The company claims that it intends to take corrective actions to address the concerns in the FDA's warning letter.

BD's infusion pump business has been operating under an amended consent decree with the FDA. Carefusion entered the amended consent decree with the FDA in 2007 and BD inherited issues relating to the infusion pumps with its acquisition of Carefusion. In 2017, BD began recalling certain Alaris infusion pumps after finding issues with faulty bezels that caused some patients to suffer injuries. BD discovered issues relating to weak plastic components that could cause the bezel to separate and could result in altered dosing, including "free-flow, over-infusion, under-infusion, or interruption of infusion."¹⁴ These products were formerly marketed under the CareFusion brand, which BD acquired in March 2015. In July 2019, the company accelerated its timeline for remediating the issues after the FDA classified the recall of more than 151 million pumps as a Class I event, the FDA's most serious type of recall.¹⁵ In February 2020, the FDA ordered that the company must submit a 510(k) package addressing necessary software changes to the pumps. Due to the expanded regulatory requirements to address issues with the Alaris pumps, Becton Dickinson cut its fiscal 2020 revenue guidance by \$400 million.¹⁶ In August 2020, BD announced that its recall remediation would be delayed by 6 months. On the company's August 2020 earnings call, the CEO said that the company had "completed a retrospective risk

¹² https://www.bd.com/contentmanager/b_article.asp?Item_ID=27281

¹³

<https://www.massdevice.com/retractable-technologies-plummets-appeals-court-tosses-352m-win-becton-dickinson/>

¹⁴ <https://investors.bd.com/news-releases/news-release-details/bd-provides-update-voluntary-recalls-alaris-m-pump-module-model>

¹⁵

<https://www.fda.gov/medical-devices/medical-device-recalls/becton-dickinson-bd-recalls-alaris-infusion-sets-alaris-pump-model-8100-due-potential-tube-collapse>

¹⁶

<https://www.medtechdive.com/news/bd-cuts-2020-guidance-on-alaris-pump-hangup-with-fda-stock-tanks/571814/>

assessment on every change that's been made to the Alaris System since the initial 501(k), that work is almost complete, we see that as retiring significant risk to the submission. We've completed software verification based on the original scope, closing out most outstanding anomalies."¹⁷

BD is currently named as a potentially responsible party to a number of Superfund environmental matters in various stages. The company claims that in some cases environmental remediation has been completed, while in other cases, environmental studies are underway. BD claims that it does not expect the proceedings to have a material adverse effect on its financial condition.¹⁸

¹⁷ Becton Dickinson Fiscal Q3 2020 Earnings Call

¹⁸

<https://www.sec.gov/ix?doc=/Archives/edgar/data/10795/000001079519000044/bdx2019-09x3010xk.htm#sDDB20431A09258D48BBD24A1E620D608>

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