

Position on Responsible Supply Base

Background

The extended supply chain of any corporation is a critical link between the business and its customers, ensuring that goods and services are provided at the right time and at the right quality to maintain continuity of production and effective delivery of products to customers. Increasingly, corporations are expected to be proactive in establishing environmental, social and governance (ESG) standards throughout the supply chain and drive accountability among suppliers in adhering to these standards. Such an approach is necessary to protect people and the environment from potential risks of supply chain failures and also protect business reputation.

Relevance

As the largest, most diversified healthcare products company, Johnson & Johnson maintains global operations and works with a vast supplier base.

We manage a highly complex network of supplier relationships that are critical to business success. At any given time, non-adherence to ESG standards by our suppliers can pose a threat to communities, the environment, our business continuity and reputation. Therefore, we must maintain a rigorous system of supplier selection, engagement, education, assessment and auditing in order to achieve supply base integrity and satisfy our stakeholders that our supply base complies with the standards they expect of Johnson & Johnson.

At the same time, advancing supplier diversity within our supply base makes a positive contribution to the economies in which we do business. It also enriches our ability to develop and deliver innovative medicines, products and solutions around the world, supporting our purpose to advance health for humanity today and for generations to come.

Similarly, partnering with an inclusive and diverse supplier base enables us to support economic inclusion and job creation for underserved populations through our procurement activities.

Guiding Principles

Johnson & Johnson's [Code of Business Conduct](#) (the Code) ensures that we hold ourselves and how we do business to a high standard, allowing us to fulfill our obligations to the many stakeholders we serve. The Code specifically references fair and respectful treatment of employees, healthy and safe working environments, environmental sustainability and other dimensions of ethical and responsible business practices.

Our Position

We view our extended supply chain as an extension of our own business and expect all suppliers to adhere to the same level of integrity and ESG requirements to which we hold our own operations accountable. We make all reasonable efforts to ensure our suppliers know what is expected of them and have systems in place to ensure compliance. We do this by:

Ensuring suppliers are aware of the standards we expect from them: The Johnson & Johnson [Responsibility Standards for Suppliers](#) (the Standards) outline our expectations of supplier business conduct. They assist us with selecting suppliers who operate in a manner consistent with these expectations and help our suppliers understand and comply.

The Standards are available in 13 languages and cover the following topics:

- Compliance with applicable laws and regulations
- Ethical behavior and integrity
- Integration of quality into business processes
- Embracing sustainability and operating in an environmentally responsible manner
- Respect for human and employment rights
- Fostering a culture of diversity, equity and inclusion
- Promoting the safety, health and well-being of employees
- Upholding the highest standards of Healthcare Compliance
- Safeguarding personal information
- Managing business activities systematically and maintaining information security

Selecting suppliers based on adherence to our Responsibility Standards for Suppliers: We strive to work with suppliers who share our values and commitment to operating responsibly and ethically. All suppliers are expected to comply with our Responsibility Standards for Suppliers, and our standard Purchase Order Terms & Conditions reflect these. When appropriate, Johnson & Johnson operating companies may work with suppliers to identify agreed-upon actions and timelines to achieve improvement as a condition of initial or ongoing engagement. Johnson & Johnson operating companies consider progress in meeting these Standards and ongoing performance in their sourcing decisions. Our sourcing process includes human rights evaluation criteria in supplier selection.

Advancing sustainable procurement: We recognize that to create impact at scale we must continue moving beyond monitoring compliance by engaging with our suppliers and supporting wider industry efforts to improve transparency and share best practices. To this end, our Supplier Sustainability Program helps us expand supplier engagement to a more strategic level in which suppliers may partner with us to improve ESG impacts throughout our supply base. Specifically, we encourage amongst other efforts, suppliers to take part in disclosure to [CDP's Supply Chain Program](#) and the [EcoVadis](#) global platform providing supplier sustainability ratings for companies.

Training our employees in supplier standards: We provide training in responsible supply chain practices for all Procurement and other relevant staff. This instruction is comprised of the Johnson & Johnson Responsibility Standards for Suppliers and Human Rights in the Supply Base training, both mandatory for all Procurement employees.

Building sustainability capacity with supplier partners: The Onward Sustainability Program aims to deliver best practice sharing sessions to our partners enrolled in our Supplier Sustainability Program.

Johnson & Johnson subject matter experts, alongside external partners, will share their knowledge through training and educational sessions to improve supplier sustainability performance and ensure it is aligned to our environmental, social and ethical goals, policies and obligations.

Maintaining a program of supplier assessments and audits: We maintain strict controls to uphold human rights and minimize our environmental impacts throughout our supply base. We continually monitor our suppliers' compliance with the Standards through a formal assessment and audit program. Broad-based assessments of our suppliers' environmental and social capabilities are largely administered through EcoVadis. These assessments are completed by suppliers participating in our Supplier Sustainability Program, generally representing over 80% of our global cross-category spend and additional high-risk or high-impact suppliers, or through our Environmental Health and Safety (EH&S) risk assessment program. EcoVadis assessments provide a detailed screening of supplier performance, and the results help determine which suppliers may require further engagement, including those who require an on-site audit. Depending on the risks identified either by EcoVadis or an on-site audit, further action may be required. A supplier is expected to complete a re-assessment or participate in a re-audit on a recurring basis. All high-risk suppliers must repeat the process within a year, while medium- and low-risk suppliers are required to repeat on a two- and three-year basis, respectively.

- **EH&S audits:** Most of our supplier EH&S audits are conducted by our EH&S group, leveraging our internal EH&S expertise and on-the-ground presence in various geographic regions. In some cases, EH&S audits are conducted by third-party firms on behalf of Johnson & Johnson. We select suppliers for EH&S audits based on an overall risk assessment using EcoVadis scores, types of goods and services provided, and geographical location. Typically, several hundred suppliers are risk-assessed each year, mainly from the following supplier categories:
 - External manufacturers
 - Active pharmaceutical ingredients (API) suppliers
 - Biologics/vaccine suppliers
 - R&D suppliers
 - Chemicals suppliers

New external manufacturers and new suppliers of APIs, biologics or vaccines located in a high-risk country are automatically selected for an on-site audit.

All EH&S site audits are conducted using the audit protocol developed by the PSCI. We identify supplier non-compliances in the areas of EH&S and management systems.

- **Social audits:** Social audits are conducted according to Sedex Members Ethical Trade Audit (SMETA) 4-pillar guidelines by an accredited external firm on behalf of Johnson & Johnson. A SMETA 4-pillar audit comprises labor standards, health and safety, management systems, human rights, recruitment, entitlement to work, subcontracting and homeworking, environmental assessment and business ethics. We select suppliers for social audits based on an overall risk assessment using EcoVadis labor and business ethics scores, location in a country considered high-risk for violation of human rights, and, in some instances, the suppliers' industry.
- **Addressing non-conformance:** We categorize supplier non-conformances for both EH&S and social audits as critical, major and minor, and we communicate the findings and how we categorize them to each supplier with our expectations for a documented plan of time-bound corrective actions and demonstrated improvement. When critical findings are identified during audit, we expect immediate mitigation of the risk. We aim to maintain long-term relationships with suppliers and prefer

to work with them to resolve audit findings and drive continual improvements in standards. If significant non-conformance with our standards cannot be sufficiently resolved, we withdraw business from that supplier or decline to start business with a potential new supplier.

- **Post-audit support:** We provide the following forms of support for post-audit supplier improvement:
 - Follow-up technical visits that include expert training and best practice sharing
 - Business reviews with direct coaching and guidance
 - Supplier conferences, webinars and other resources

Consistent commitment to supplier diversity and inclusion at a global level: Johnson & Johnson operating companies have long recognized that small and diverse suppliers play an important role in the success of our businesses. Since 1998, we have maintained our dedicated Global Procurement Supplier Diversity & Inclusion program, encouraging a wide range of suppliers to engage with us in all regions of the world. We work with small- and medium-sized businesses that reflect the diversity of the consumers and patients who benefit from our products. This includes, but is not limited to, businesses that are owned by women, minorities and veterans, as well as members of the LGBTQIA+ and disabled communities.

We proactively seek out diverse suppliers and provide support to enable them to compete for our business. We also strive to achieve or exceed industry benchmarks of spend with diverse and small businesses. Each year, we intensify and expand our global supplier diversity program, and our activities in any given year typically include:

- Johnson & Johnson Procurement staff and associates regularly participate in dozens of conferences, tradeshows and events in support of a broad range of supplier diversity organizations. We frequently take part as event sponsors, speakers and panelists, and provide useful resources for many supplier diversity organizations.
- We support sharing best practices and benchmarking across the industry to elevate the engagement of diverse and small businesses by all corporations.
- We provide scholarships for multiple business management and entrepreneurship programs for select strategic diverse suppliers.
- We frequently host events at Johnson & Johnson sites, engaging with and connecting numerous advocacy organizations, suppliers, customers and peer organizations.
- Johnson & Johnson is regularly recognized by leading organizations around the world as a top corporation for supplier diversity. Examples can be found in our annual [Health for Humanity Report](#) and on our [Supplier Diversity webpage](#).

Collaborating within the industry to raise the bar for all: We actively participate in global healthcare industry forums and workshops on supply chain issues that aim to raise the bar on supply chain responsibility, diversity and transparency by addressing systemic issues that no one company can solve alone. We participate in the following forums, among others, holding Board-level positions in many of them:

- **Pharmaceutical Supply Chain Initiative (PSCI)** (founding member and Board member). PSCI brings together pharmaceutical and healthcare companies to champion responsible supply chain practices.
- **Business for Social Responsibility (BSR)** Human Rights Working Group, established in 2012.

- **Billion Dollar Roundtable** (Board Member). The Billion Dollar Roundtable recognizes and celebrates corporations that achieved spending of at least \$1 billion with minority- and women-owned businesses. Johnson & Johnson regularly achieves annual spend of more than \$1 billion with certified diverse suppliers.
- **Women’s Business Enterprise National Council (WBENC)** (Board Member). WBENC is the largest certifier of women-owned businesses in the United States and a leading advocate for women business owners and entrepreneurs.
- **WEConnect International** (Board Member). WEConnect International identifies, educates, registers and certifies women’s business enterprises that are at least 51% owned, managed and controlled by one or more women.
- **National Minority Supplier Development Council (NMSDC)**. NMSDC advances business opportunities for certified minority business enterprises and connects them to corporate members.
- **Social Enterprise UK**. Social Enterprise UK is a community-interest company founded in April 2002 in the United Kingdom. It functions as the national membership and campaigning body for the social enterprise movement in Britain.
- **National LGBT Chamber of Commerce (NGLCC)**. NGLCC is a U.S. not-for-profit advocacy group that aims to expand the economic opportunities and advancement of the LGBTQIA+ business community.
- **Disability:IN**. Disability:IN is the leading nonprofit resource for business disability inclusion worldwide.
- **Supply Chain Risk Leadership Council (SCRLC)**. SCRLC members work together to create and implement best practices in supply chain risk management standards, processes, capabilities and metrics.

Application

This Position is relevant for the Johnson & Johnson Family of Companies, as detailed in our [governance materials](#). We provide updates relating to our responsible supply base programs and performance in our annual [Health for Humanity Report](#).

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