Position on Responsible Supply Base

Background

Our global supplier network enables us to manufacture and deliver essential products and services to our patients and customers. To help us deliver on the high standards embodied in Our Credo, we seek relationships with suppliers that uphold the principles reflected in our Responsibility Standards for Suppliers (RSS).

Our RSS reflect our values and those of our external stakeholders, such as customers, regulators, investors, and civil society. They outline our principles, expectations and approach for a responsible supply base on:

- Laws and Regulations
- Ethics and Business Conduct
- Quality
- Environmental Responsibility
- Human and Labor Rights
- Supplier Inclusion
- Health, Safety and Well-being of Employees
- Healthcare Compliance
- Privacy
- Management Systems and Information Security

Our approach

We view our extended supply base as an integral part of our business, and we make all reasonable efforts to ensure our suppliers know what is required of them and that they have systems in place to adhere to our RSS. We do this by:

- Setting expectations of our suppliers, including obligations of suppliers to uphold similar requirements in their supply base and business relationships.
- Constructively engaging with our suppliers and assisting them in building their capabilities in line with our RSS.
- Engaging in activities to confirm a supplier's conformance to our RSS, which may include on-site assessments of facilities, use of evidence-based assessments, questionnaires, reviews of available information, or other measures necessary.
- Where appropriate, disqualifying any potential supplier or terminating any relationship with a current supplier that has failed to meet the requirements of our RSS.

Selecting suppliers based on adherence to our RSS: We strive to work with suppliers that share our commitment to a responsible supply base and when making sourcing decisions, we take into consideration progress in meeting the requirements set out in the RSS:

- All suppliers are required to comply with our RSS and our standard contract terms reflect this.
- We carry out risk screenings of prospective suppliers in some procurement categories identified as potentially higher risk.
- Where appropriate, Johnson & Johnson operating companies work with suppliers to identify agreed-upon actions and timelines to achieve improvement as a condition of initial or ongoing engagement.

Ongoing due diligence: Through our Supplier Sustainability Program (SSP), we monitor, engage and collaborate with suppliers on environmental and social risks. Our SSP includes risk screenings, assessments, audits, and capability-building tools to identify, manage, and address environmental, human rights, and Environment, Health and Safety (EH&S) risks in our supply base. We recognize that due diligence is a process of continuous improvement, and we review and refine our approach on an ongoing basis. For example:

- Johnson & Johnson Tier 1 suppliers are screened annually using a tech-enabled tool to evaluate risk across a range of potential human rights and environmental metrics using country and industry risk indicators.
- Evidence-based assessments of suppliers' environmental, human rights, ethics and sustainable procurement capabilities are largely administered through EcoVadis. These assessments are completed by suppliers identified as potential high risk, as well as strategic suppliers that represent high spend and/or high impact to Johnson & Johnson. EcoVadis assessments measure the quality of a company's sustainability management systems, notably their policies, actions and results. Depending

on the risk(s) identified in the EcoVadis assessment, further action may be required. For example, low scoring suppliers must complete an EcoVadis re-assessment within a year, while higher scoring suppliers are required to repeat the assessment on a two- or three-year basis.

- Environment: Our approach to working with suppliers on our RSS requirements includes:
  - Science-Based Climate Targets (SBTs): In line with our own science-based climate goals, we identify 80% of our suppliers by greenhouse gas (GHG) emissions covering purchased goods and services and upstream transportation and distribution and work with them to set their own verified SBTs.
  - Climate Disclosures: We ask suppliers with significant impact on our Scope 3 purchased goods and services and upstream transportation and distribution emissions disclose their emissions and reduction efforts to the EcoVadis Metrics module.
  - Emission Reduction Efforts: Eligible suppliers are engaged in programs that assist them in making changes and investments that reduce their GHG emissions.
  - Packaging Reuse and Recyclability: We work with suppliers on projects that reduce material use and improve recyclability of our product packaging.
  - Supply Chain Disclosure and Compliance: Where we require detailed supply chain information to conduct due diligence or for external reporting, we engage suppliers to collect supply chain details, work with them to identify potential high-risk sources and mitigate these risks where necessary.
- Human Rights: We take a risk-based approach to human rights due diligence and carry out various measures and types of assessments to identify, prevent, mitigate and account for potential or actual human rights impacts. Our ongoing due diligence efforts have a strong focus on fair working conditions, notably potential modern slavery risks, in our supply base and include:
  - Onsite human rights audits conducted through an accredited external organization using the Sedex Members Ethical Trade Audit (SMETA) 4-pillar guidelines. The SMETA audit comprises labor standards, health and safety, environment, and business ethics.
  - Other forms of assessments, investigations and stakeholder engagement, often working with third-party specialist human rights organizations, on potential high-risk commodities, procurement categories and/or supply chains.
  - Collaborative efforts across the industry, such as working with peer companies through our membership of the Pharmaceutical Supply Chain Initiative (PSCI).

- Environment, Health and Safety (EH&S): Most supplier EH&S audits are conducted by our EH&S group, leveraging our internal 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. New external manufacturers and new suppliers of Active Pharmaceutical Ingredients (APIs) or biologics located in a high-risk country are automatically selected for an on-site audit.
    - All EH&S site audits are conducted using an audit protocol developed by the PSCI. We identify supplier non-compliances in the areas of EH&S and management systems.
    - We also work in partnership with suppliers to build knowledge and capabilities, including via direct discussions and connecting them with relevant training opportunities and networks.

Grievance mechanism: Our Credo Integrity Line provides a global, accessible channel for reporting concerns and is available in 24 languages, 24 hours a day, 7 days a week. It is independent, secure, and confidential, offering a safe mechanism for anonymous reporting (where permitted by local law) of suspected concerns or potential violations of our policies or the law, including the RSS. We do not tolerate threats or acts of retaliation in any circumstance. Our Credo Integrity Line is accessible to employees and other stakeholders such as workers in our supply base who can access this channel to raise grievances at any time.

Training our employees on our RSS: We provide training in responsible supply chain practices for Procurement and other relevant functions. This instruction is comprised of our RSS training and our human rights training, both mandatory for Procurement employees.

Building suppliers' capacity: Our Onward Sustainability Program helps our suppliers build capability and take action to improve sustainability performance. We provide our suppliers in our SSP with updates, educational materials and tools to help them understand and meet our RSS expectations.

Consistent commitment to an inclusive supply base at a global level: Johnson & Johnson has long recognized that having a supply base that understands the wide-ranging needs of our customer base is important to our success. We aim to ensure that all businesses, including small and diverse, have an opportunity to become valued partners and grow with Johnson & Johnson and we select the most qualified suppliers to meet our business needs.

We continue to realize the value that a robust and inclusive supply base brings to our business, our people and our communities. We have expanded our global footprint driving social and economic impact in 20 markets, including the U.S., through our procurement spend and through activities including:

- Ongoing engagement in industry forums, events and strategic dialogues.
- We support sharing best practices and benchmarking across the industry to elevate the engagement across the ecosystem by all corporations.
- We support development and training opportunities to help suppliers grow capacity and expand capabilities.

External engagement: We actively participate in industry forums, such as the Pharmaceutical Supply Chain Initiative (PSCI), and workshops to share insights and good practices across the sector, and we engage with external stakeholders and specialist organizations to inform and support our responsible sourcing work.

Application

This Position is relevant for the Johnson & Johnson Family of Companies, as detailed in our governance materials. We provide updates in our annual Health for Humanity Report. Johnson & Johnson's Policies and Positions on these and other issues are available in full here.

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