2020 Priority Topics Assessment

A materiality assessment is a foundational tool used by companies to identify, prioritize and strategically address relevant environmental, social and governance (ESG) topics that can have an impact on society and their business. Johnson & Johnson has been conducting such assessments, which we call Priority Topics Assessments (PTAs), every two to three years since 2008. The results inform and shape our sustainability strategy, governance and reporting, including our sustainability goal-setting process. A PTA is also an important mechanism that allows us to engage with our stakeholders to understand what ESG topics they view as priority for Johnson & Johnson.

Our Process

We conducted our latest in-depth PTA in 2019. However, in light of the global events of 2020, we conducted an interim 2020 PTA update to understand if and how this pivotal year may have shifted the stakeholder perceptions with regard to Johnson & Johnson's ESG priorities. This research- and interview-based update has enabled us to capture the invaluable insights of Company leaders and external stakeholders in the wake of these events.

The 2020 update and the resulting matrix and stakeholder insights are reflective of current global events and have informed our 2020 Health for Humanity Report and our Health for Humanity 2025 Goals.

The objective of the 2020 update was to understand whether the importance level of any of Johnson & Johnson's previously identified priority ESG topics changed during the year, and what new risks and opportunities arose. To update the 2019 PTA and take into account the global context of 2020, we collaborated with our external partner ERM to undertake the following activities:

- Conducted informative interviews with 14 Johnson & Johnson leaders spanning multiple functions and geographies.

- Conducted informative interviews with 10 external stakeholders including NGOs, partners, suppliers and customers.

- Conducted research on the key events and trends affecting businesses in 2020, and on corporate responses to the COVID-19 pandemic and U.S. social justice movements.

- Analyzed additional external indicators of topic importance:

  - A Datamaran[1] analysis of topics that took into account peer benchmarking, social media, news and regulatory landscape, and resulted in a dataset showing how topics shifted in rank between spring 2020 and fall 2020

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[1] Datamaran is a cloud-based data analytics platform that tracks the frequency and emphasis of ESG topics in narrative text from a variety of publicly available sources, including corporate annual reports, regulations, digital media and social media.

      ○   Results from the [2020 Sustainability Leaders Survey](#) on changes in urgency of key global issues between 2019 and 2020

   ○   Johnson & Johnson Foresight Focus Study, August 2020

The 2020 priority topics matrix was created using the 2019 matrix as a base. We used information gleaned from all of the above to first determine which topics had shifted, and then, to inform the magnitude and direction of topic shifts on the matrix. These findings also warranted updates to some topic titles and definitions.

We found no evidence to indicate that any topics had decreased in importance. While some topics did not warrant shifting in priority, the topics that increased in importance are:

- Access
- Advancing Public Health
- Bioethics
- Cyber Risk & Privacy
- Digital Innovation & Emerging Technologies
- Diversity, Equity & Inclusion
- Local Economic Development
- Pricing
- R&D Investment
- Responsible Supplier Base
- Safe & Healthy Workforce
- Strengthening Health Systems
- Workforce Attraction & Development

Given that the 2020 matrix below was developed based upon the 2019 matrix with some shift updates noted, the methodology for the 2019 full PTA still applies to the 2020 matrix and can be found in Appendix 2.

2020 Priority Topics Matrix
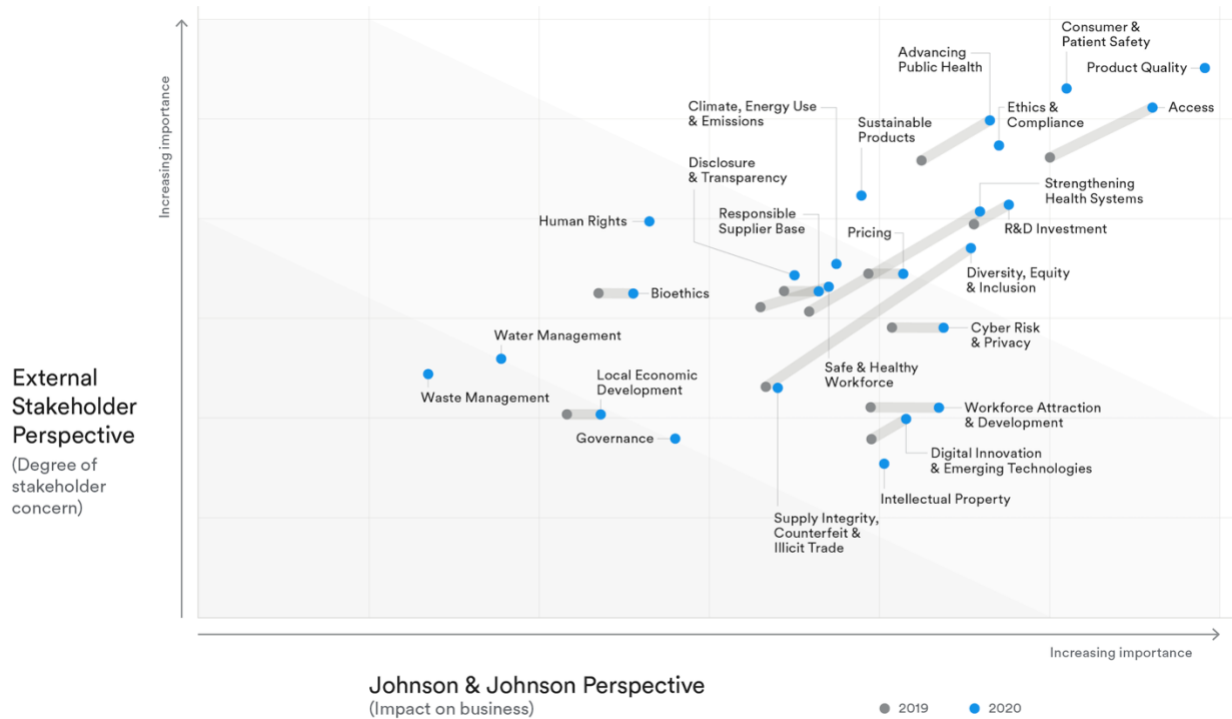
Communicating results internally

We shared the 2020 PTA process and results with internal stakeholders, including the leaders of our Consumer Health, Medical Devices and Pharmaceutical business segments, the Enterprise Governance Council and other corporate functions to enable further discussion and use of the insights to inform business and functional strategies.
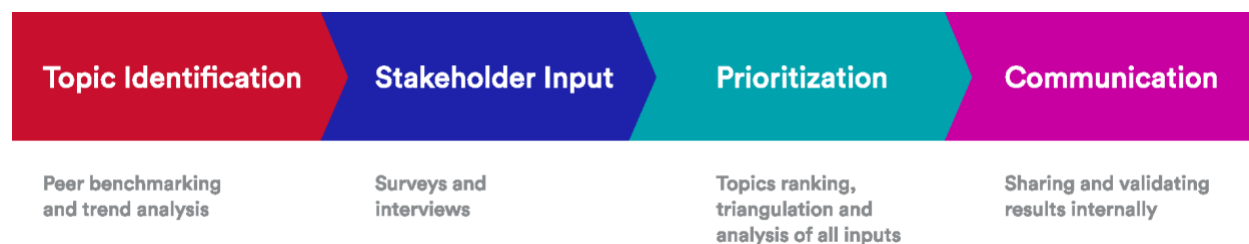
Appendix 1. Priority Topics List and Definitions

TOPIC	DEFINITION
Access	Improving the availability of drugs, vaccines, medical devices and other healthcare products, contributing to reductions in overall healthcare costs, and addressing other non-price barriers to access (e.g., the registration process, education and adoption, supply chain management, etc.).
Advancing Public Health	Addressing unmet medical needs for underserved populations around the world, and collaborating with stakeholders to address global health pandemics and epidemics, treatable diseases, vector-borne diseases; advocating for responsible use of antibiotics to combat anti-microbial resistance (AMR); efforts to strengthen global health security, pandemic preparedness and advance health innovation policy; partnering to address the impact of poor environmental quality (e.g., air pollution) and climate change on human health.
Bioethics	Adherence to ethics and respect for the rights and welfare of all involved through the product development process; this includes animal welfare standards, participation in clinical trials, enabling compassionate use of early-stage medicine, and the use of emerging technologies (e.g., cloning, human genetic engineering, artificial intelligence, etc.).
Climate, Energy Use & Emissions	Reducing carbon and other air emissions in direct operations and the value chain; energy efficiency improvements and renewable energy procurement in direct operations; mitigating the risks of climate change on business operations.
Consumer & Patient Safety	Ensuring that the safety and efficacy attributes of a product and its risks (e.g., misuse or substance abuse risk, side effects) are transparent; efforts to ensure proper use, treatment adherence and abuse prevention; post-market monitoring; responding to safety or quality issues (e.g., prompt recall); avoiding use of unsafe ingredients.
Cyber Risk & Privacy	Secure and ethical collection, use, processing, and storage of Company data and consumer/patient data and health information; meeting personal data privacy requirements; maintaining Johnson & Johnson's corporate IT and third-party systems to prevent business disruption and regulatory risks.
Digital Innovation & Emerging Technologies	Enabling digital transformation across our business operations to improve efficiency and agility, and customer experience; embracing new and disruptive technologies across the entire healthcare product development and delivery value chain to evolve healthcare delivery and optimize patient outcomes.
Disclosure & Transparency	Ensuring accountability and public disclosure of Company information across operating companies and markets (e.g., financial and environmental disclosure, clinical trial data, risk/safety profiles of products, payments to healthcare providers, support of patient groups and political parties, etc.); engagement of external stakeholders on relevant topics.
Diversity, Equity & Inclusion	Providing equitable opportunities for everyone and eliminating barriers that prevent employees from reaching their full potential, advancing a culture of belonging, and increasing diverse talent in management and leadership positions; addressing social injustice, systemic racism, healthcare disparities, equitable access to education, and other inequities external to the Company.
Ethics & Compliance	Compliance with all relevant regulations including those related to taxes, competitive behavior (antitrust), policies and codes of conduct, anti-corruption, anti-bribery, lobbying transparency, and transparency of relationships with healthcare providers; responsible marketing practices and labeling; avoiding double standards regarding product availability.
Governance	Ensuring that Company governance and management mechanisms properly address the interests of stakeholders (e.g., rules around shareholder rights, executive compensation, and Board independence), and that the Company is accountable to stakeholders through transparency and disclosure; implementing effective enterprise risk management and business continuity planning.
Human Rights	Respecting the human rights of employees and other stakeholders in our value chain and promoting respect for human rights in the supply base, including fair employment practices, safe

	working conditions, freedom of association and collective bargaining, fair compensation, no forced or child labor, equal and non-discriminatory delivery of health services, etc.
Intellectual Property	Intellectual property management that respects and protects property rights, enables the development of important new treatments for patients in need, and promotes access through close collaboration with governments, non-governmental organizations and other stakeholders.
Local Economic Development	Supporting local economies in which Johnson & Johnson and its suppliers operate through paying fair share of taxes, employment of locals, fair wages, contracting with local suppliers, and using local ingredients in products; engaging in local initiatives and supporting community development.
Pricing	Developing more affordable healthcare products, being transparent about pricing strategies, and providing patient assistance/co-pay programs.
Product Quality	Ensuring that products are manufactured at the highest quality, which includes consistent policy and standards; site compliance monitoring; early risk identification, assessment and mitigation across entire manufacturing value chain; continuous process improvement and proactive quality control.
R&D Investment	Commitment to maintaining high investments in the research and development of treatments that address unmet medical needs.
Responsible Supplier Base	Supplier base transparency; understanding supplier environmental and social impacts, and influencing safe, ethical and sustainable operations throughout the supply base; paying suppliers and distributors fair prices and promoting supplier diversity.
Safe & Healthy Workforce	Safe workplaces for employees and contractors, and effective injury and illness prevention programs; fostering a culture that encourages enterprise-wide engagement in employee safety, health and wellness.
Strengthening Health Systems	Improving healthcare delivery, systems, and infrastructure through capacity building, data sharing, training for healthcare professionals, partnering with public organizations on new business models (e.g., consumer-centric and community-based), sustainable financing, and promoting health literacy and awareness.
Supply Integrity, Counterfeit & Illicit Trade	Working to prevent counterfeit and illicit trade of consumer products, drugs and medical devices; and ensuring supply chain and channel security.
Sustainable Products	Sustainable product development including: designing products and packaging for highest material use and efficiency across all lifecycle stages; considering protection of natural resources, forests and biodiversity in sourcing decisions; addressing product end-of-life impacts such as recyclability/reusability, packaging waste, and aquatic impacts of pharmaceuticals and personal care products in the environment (PIE and PCPE), etc.
Waste Management	Improving practices related to waste management, reduction, effective use and re-use, and disposal throughout operations and the value chain.
Water Management	Optimizing water consumption in operations and in product use, and ensuring proper water treatment and discharge. Practicing responsible water stewardship, especially in operations in water-sensitive and high-risk areas.
Workforce Attraction & Development	Strong attraction and engagement practices that increase retention; offering access to educational resources and skills development opportunities; a fair performance management process that fosters individual growth and development; equipping employees for the range of future work scenarios from in-person to virtual.

Appendix 2: Process for the 2019 PTA

We conducted our latest in-depth PTA in 2019. The methodology included deep and broad stakeholder engagement across a large number of ESG topics. In collaboration with our external partner ERM, we completed the following:

Topic Identification	Stakeholder Input	Prioritization	Communication
Peer benchmarking and trend analysis	Surveys and interviews	Topics ranking, triangulation and analysis of all inputs	Sharing and validating results internally

Desk research and development of initial topics

Using our 2016 priority topics list and the Global Reporting Initiative (GRI) definition of materiality as starting points, we developed an initial set of ESG topics and definitions. We performed a high-level review of sustainability trends, United Nations Sustainable Development Goals, relevant Sustainability Accounting Standards Board (SASB) and GRI Standards, and an assessment of peer companies' priorities followed by internal conversations with relevant teams on specific topics. Based on this review, the initial topics list was adjusted and refined with 25 final topics taken through to the next phase of the PTA process.

Stakeholder engagement

We engaged with internal and external stakeholders through an online survey and interviews. The results highlighted the relative importance of topics for Johnson & Johnson as well as stakeholder perceptions of the Company's performance and influence across the various topics. Key insights on perceived performance, influence and potential areas for leadership will be used internally to strengthen Johnson & Johnson's ESG strategy and programs.

Internal

We surveyed approximately 300 Johnson & Johnson employees, representing all three business segments and corporate functions in four geographic regions (North America, Latin America, Asia Pacific, and Europe, Middle East and Africa). For each topic, the employees were asked to score: 1) the topic's importance to Johnson & Johnson; 2) Johnson & Johnson's performance; and 3) Johnson & Johnson's ability to influence it.

Concurrently, we interviewed 21 Johnson & Johnson leaders representing key functions and regions of operations to gather insights into the risks and opportunities each topic presents to the Company, as well as feedback on the Company's performance and opportunities for greatest impact.

External

We surveyed the following critical external stakeholder groups:

- Academics/Think Tanks
- Customers
- Engaged Consumers[2]
- Government/Policymakers
- Healthcare Professionals
- Investors

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[2] An engaged consumer is a member of the general public who actively seeks information about companies, makes purchase decisions based on whether he/she agrees with a company's practice, policy, activity, etc., and is member of an advocacy group or a volunteer organization.

- Non-Governmental Organizations (NGOs)/Advocacy Groups
- Suppliers
- Trade Associations

We surveyed approximately 900 external stakeholders across the four regions where Johnson & Johnson has operations. For each topic the respondents were asked to score: 1) the topic's importance to Johnson & Johnson, and 2) Johnson & Johnson's performance on it. In addition, we conducted interviews with 18 external stakeholders to understand their views on the ESG topics that are most important for Johnson & Johnson, as well as the complexities and context surrounding individual topics. The interviews allowed us to get more nuanced perspective around the priority topics.

Evaluation and analysis

Combining the results from the desk research, the stakeholder engagement phase, and additional insights on topics of importance to Johnson & Johnson from sources such as the Risks section in the Annual Report/Form 10-K, we mapped the 25 ESG topics across two dimensions, as shown in the matrix below.

2019 Priority Topics Matrix

Last Updated: May 2021