

# California Transparency in Supply Chains Act & United Kingdom Modern Slavery Act Statement

This statement explains the steps that we have taken to help ensure that slavery and human trafficking is not taking place within the Johnson & Johnson Family of Companies (“Johnson & Johnson”) supply chain. Some countries and U.S. states have implemented legislation that requires certain businesses to provide public statements in this regard. This legislation includes the California Transparency in Supply Chains Act of 2010 and Part 6, Section 54 of the United Kingdom Modern Slavery Act of 2015. This annual statement<sup>1</sup> is intended to provide our stakeholders with information that will allow them to make more informed decisions about the goods they are purchasing.

**Company Structure and Business:** At Johnson & Johnson, we believe good health is the foundation of vibrant lives, thriving communities and forward progress. That’s why for more than 130 years, we have aimed to keep people well at every age and every stage of life. Today, as the world’s largest and most broadly based healthcare company with three business segments reflecting consumer products, medical devices and pharmaceutical products, we are committed to using our reach and size for good. We strive to improve access and affordability, create healthier communities, and put a healthy mind, body and environment within reach of everyone, everywhere. We are blending our heart, science and ingenuity to profoundly change the trajectory of health for humanity. More information on our current company structure can be found [here](#) and within our [Health for Humanity Report](#).

**Our Supply Chain:** The Johnson & Johnson Supply Chain takes an end-to-end view of our business, starting with a close collaboration with R&D and with commercial colleagues to safely and efficiently plan, source, make and deliver a high-quality, reliable supply of all the products in the Johnson & Johnson portfolio, which reflects three distinct business segments. Our supply chain is responsible for making products at our own Johnson & Johnson facilities and through external partners. As a result, our supply chain is global and complex. We purchase goods and services from thousands of suppliers around the world. The success of our business depends on our ability to collaborate with suppliers that both provide the highest quality products and services and are philosophically and strategically aligned with our commitment to our social and environmental responsibilities. More information on our suppliers can be found [here](#).

**Our Policies:** Johnson & Johnson is committed to ensuring that we conduct our business worldwide with respect for human rights and in compliance with all applicable laws and fair labor practices, as evidenced by our policies and statements, including:

- [Statement on Human Rights](#), updated in 2018;
- [Human Trafficking Policy](#);
- [Policy on the Employment of Young Persons](#), updated in 2019;
- [Responsibility Standards for Suppliers](#) (“Standards”);
- [Code of Business Conduct](#);
- [Global Labor & Employment Guidelines](#);
- [Conducting Clinical Trials Statement](#);
- [Harassment- and Bullying-Free Workplace Policy](#), updated in 2019;
- California Transparency in Supply Chains Act & UK Modern Slavery Act Statement; and

- Human Right to Water.

As described below, Johnson & Johnson takes the following steps to manage our supply chain relationships responsibly:

1. Verification/Due Diligence;
2. Audit;
3. Certification;
4. Internal Accountability; and
5. Training.

**Verification/Due Diligence:** Our expectation is that all relevant employees and all suppliers understand and comply with the revised [Standards](#). When the [Standards](#) are revised, all impacted Johnson & Johnson employees receive training; and all new and current Global Procurement employees are required to complete training on the [Standards](#). Reflecting the diversity of our supply chain and our dedication to ensuring compliance, our [Standards](#) are available in 13 languages.

We firmly believe that identifying and understanding environmental, safety and employee issues, including potential human rights concerns, are critical components of our acquisition and other business development activities. We conduct thorough due diligence investigations prior to acquiring businesses and apply a commensurately higher level of scrutiny to businesses with operations or suppliers in countries where there are traditionally higher risks of compliance violations and/or human rights abuses. We continue to be mindful of these concerns as we transition newly acquired businesses into Johnson & Johnson and are prepared to escalate and remediate any issues.

Our Sustainable Procurement Program (“SPP”) ensures supplier conformance with our [Standards](#) as well as applicable legal and regulatory requirements, and encourages and supports suppliers in achieving excellence by embedding sustainable social and environmental practices, including transparency, target-setting, and public disclosure into their businesses and respective supply chains. Our Health for Humanity 2020 Goal is to enroll suppliers covering 80% of spend in our SPP. In 2018, we achieved our target of enrolling 60% of spend in our SPP. The requirements for all enrolled suppliers are transparent and communicated through our publicly available [Supplier Sustainability Toolkit](#) (the “Toolkit”). Suppliers are required to implement at least one of the following goals:

1. Publicly report two or more sustainability goals and track progress over time;
2. Participate annually in CDP Supply Chain reporting;
3. Achieve a minimum standard in EcoVadis (discussed below), public reporting, or CDP as a High Performer;
4. Achieve industry-specific goals, e.g., gaining certain certification, specific public reporting, or delivering social projects.

To support the growth in supplier enrollment to the program and ensure global engagement, we established our internal Responsible Procurement Council (“Council”) to align on supplier enrollment, setting individual supplier goals, and driving global supplier engagement in each category. Council members, with expertise in the areas of citizenship and sustainability relevant to their suppliers, track and monitor supplier performance and report category results. Details of our performance with regard to the SPP are included on page 109 of our 2018 [Health for Humanity Report](#).

We verify and monitor supplier compliance with our [Standards](#) through a formal assessment and audit program. Assessments are administered through a globally recognized third-party program called EcoVadis. EcoVadis is a leading provider of business sustainability ratings for global supply chains. These assessments are conducted for suppliers participating in our SPP or our Environment, Health & Safety (“EHS”) risk assessment program. EcoVadis assessments provide an initial screening of supplier performance, and the resulting score helps determine when an on-site audit may be warranted.

**Audit:** Johnson & Johnson has had an EHS audit program in place for more than a decade. We leverage the environmental and safety expertise of our Environmental, Health, Safety & Sustainability organization and on-the-ground presence in various geographic regions to conduct supplier EHS audits. We systematically screen suppliers for auditing based on EcoVadis scores, type of goods and services provided, and geographical location. Based on that risk evaluation and an understanding of our ability to influence suppliers, we typically focus on the following types of suppliers for audits:

- External manufacturers of finished goods;
- Active pharmaceutical ingredients (“API”) suppliers;
- Biologics and vaccine suppliers;
- R&D suppliers;
- Chemical suppliers.

New external manufacturers and API, biologics, and vaccine suppliers located in “high-risk” countries<sup>2</sup> are automatically identified for an on-site audit.

All EHS site audits are conducted using the audit protocol and checklist developed by the Pharmaceutical Supply Chain Initiative (“PSCI”). We identify supplier non-compliances in the areas of environment, health and safety, and management systems. We categorize these non-compliance findings as critical, major, and minor, and communicate them to each supplier along with our expectations that they must implement time-bound corrective actions and demonstrate improvement. When critical findings are identified, we expect immediate mitigation of the risk. If significant non-conformances with our [Standards](#) cannot be adequately resolved, we will either not engage if it is a new supplier or withdraw business if it is a current supplier. However, we value our supplier relations and prefer to maintain the partnership for the long term. Therefore, we have processes in place to support our suppliers in improving their performance, including through:

- Follow-up technical visits that include expert training and best practice sharing;
- Business reviews with direct coaching and guidance;
- Information provided in our [Toolkit](#);
- Supplier relationship management engagement at category level; and
- Participation in supplier capability-building conferences, webinars and other resources available through Johnson & Johnson’s membership in the PSCI.

Building off our engagement with organizations focused on human rights and social aspects of supply chains, we have further standardized our framework for ensuring supplier compliance with our human rights standards by launching a dedicated social audit program. Social audits are conducted according to SMETA 4 guidelines by accredited external audit firms on behalf of Johnson & Johnson. Supplier selection and prioritization criteria include results of EcoVadis scores on Labor and Business Ethics, location in a country considered to be high risk for violation of human rights,

and the supplier category. We plan to extend the program in the coming years to cover more geographic regions and procurement categories.

In 2018, we conducted 185 EHS audits and technical visits, 542 EcoVadis assessments, and 11 supplier social audits.

In 2018, the Johnson & Johnson Enterprise Governance Council (“EGC”) established the Human Rights Working Group (“HRWG”), an enterprise-wide framework for addressing human rights in our supply chain. In addition to expanding the human rights requirements in our updated [Standards](#), the cross-functional HRWG – comprised of members of our Global Procurement, Law Department, Environmental Health, Safety & Sustainability, and Corporate Governance functional groups - meets regularly to guide and inform the development of the Company’s human rights risk assessment approach and audit program.

Our audits are announced in advance to ensure timely and successful scheduling with suppliers.

**Certification:** The terms of our standard contracts with suppliers ensure that we obtain written acknowledgement of their obligation to comply with all applicable laws, our [Policy on the Employment of Young Persons, Standards, and Human Trafficking Policy](#). Suppliers also commit to engaging in only legitimate and ethical business practices. We reserve the right to terminate a contract, withhold payment and assess a penalty or termination fee for any non-compliant supplier.

In addition, we are in the process of enhancing our existing terms and conditions regarding human trafficking and slavery. Our standard Purchase Order (“PO”) Terms & Conditions (“T&Cs”) in North America have been modified to reflect the updated [Standards](#) and are in the process of updating PO T&Cs worldwide in the applicable local languages to also reflect this update. This is targeted for completion within 2019. We do not currently require periodic certification to confirm compliance and instead rely on assessments and audits to provide assurance.

**Internal Accountability:** Our [policies and statements](#) describe our commitment to internal accountability with respect to human rights.

At Johnson & Johnson, every employee is responsible for respecting human rights. Managing human rights considerations in our supply chain is a critical undertaking. Human Resources, our Supply Chain function, Global Procurement, the Law Department and Global Clinical Development Operations, among others, share responsibility for defining and operationalizing our framework for managing our human rights practices. Implementation of these practices is overseen by our EGC, a cross-functional team comprised of senior leaders who represent our three business segments and global enterprise functions with line of sight to environmental, social and governance issues. Quarterly EGC meetings provide a forum for updates on human rights topics, with a process for elevating to the Johnson & Johnson Executive Committee, our Board of Directors and Board Committees if warranted. The EGC also reviews and supports progress against our Health for Humanity 2020 Goals and the United Nations Sustainable Development Goals commitments.

Our [Global Labor & Employment Guidelines](#) articulate our expectations for labor and employment practices, including preventing forced labor and child labor. We reinforce our expectations for compliance in our policies and guidelines across all our operations and proactively engage when we see behaviors that may be inconsistent with those expectations. In 2018, we evaluated various approaches to a systematic assessment of compliance with the [Global Labor & Employment](#)

[Guidelines](#) in our operations and expect to identify and prioritize salient human rights issues for the enterprise in late 2019. We will be engaging with Shift, the leading center of expertise on the UN Guiding Principles on Business and Human Rights, to support our identification of salient human rights issues – a key step in our holistic approach to ongoing human rights due diligence.

We also reinforce our commitment to accountability at the industry level through engagement with several organizations, such as the Consumer Goods Forum (“CGF”), the Business for Social Responsibility HRWG, and the PSCI.

- As a founding member of the PSCI - which brings together a group of pharmaceutical and healthcare companies to formalize, implement, and champion responsible supply chain practices - Johnson & Johnson endorses the Principles established by the PSCI. The PSCI's supplier audit collaboration and capacity-building programs are helping to streamline the audit processes across these industries, as well as accelerate knowledge exchange and learning. We continue to use PSCI standardized audit tools and processes for all our supplier EHS audits. In addition, our suppliers benefit from PSCI-organized training and capacity-building activities. We are an active participant in PSCI events and lead two PSCI committees. We used the PSCI Principles to help guide and update our own [Standards](#), supporting more industry-wide cohesion and leveraging applied learning.
- Johnson & Johnson is also an active member of the CGF. Our Worldwide Chairman of the Consumer Products business segment, Thibaut Mongon, leads CGF's Consumer Group Operating Committee and serves as a member of the CGF Board of Directors. We are involved in various CGF working groups that standardize and advance environmental and social sustainability practices across the consumer goods supply chains. In 2016, CGF announced a new social resolution on forced labor. The resolution's principles have been incorporated into our supplier audits and helped to inform the update of our [Standards](#).
- We are an active participant and member of the Business for Social Responsibility HRWG, established in 2012 to help companies implement the UN Guiding Principles on Business and Human Rights.

### Grievance Mechanisms

Violation of our policies and procedures is reportable through our Company's [Credo Hotline](#). All such reports of allegations of violations are promptly investigated and, if the result of the investigation indicates that corrective action is required, the Company will decide what steps to take to rectify any problem and/or avoid the likelihood of its recurrence. Our Company's [Credo Hotline](#) is available to all employees, suppliers and other business partners, offering a secure channel for anonymous reporting of a suspected concern about the business conduct of our employees or suppliers, or to ask questions about our business conduct policies. Concerns raised through the hotline are reported at an enterprise level. Our employees can anonymously report potential violations to the Human Resources function within each operating company locally as follows:

- In all countries in our Asia Pacific region, we have a grievance resolution policy that explains how employees can raise complaints, and details manager responsibilities to take action.
- In the Americas and Asia Pacific region, Employee Relations staff independently investigate non-compliance in employee relations matters, and verified non-compliant situations are addressed by the respective business unit.

- In the Europe, Middle East and Africa region, investigations are the responsibility of local Human Resources and are overseen by regional employee relations teams.
- In North America, employees can use the Open Door and Common Ground processes, as stipulated in our [Guide for Resolving Employee Disagreements – North America](#) statement.
- In all other operating regions, an appeal process to re-open grievances exists under certain conditions.

**Training:** All Johnson & Johnson employees and certain categories of contingent workers are required to complete bi-annual Code of Business Conduct trainings, which cover human rights topics. The availability of these training courses in 27 languages reflects our commitment to broad adherence. In 2018, over 94% of assigned employees and 96% of assigned contingent workers completed the training. We audit compliance with communication, training and execution of our Code of Business Conduct. Employees with roles and responsibilities relevant to aspects of human rights in our operations or in the supply chain receive general awareness trainings on human rights. We also provide a new separate training in Human Rights in the supply chain that is mandatory for all Global Procurement employees and available to all other Johnson & Johnson employees. Our Human Rights training was completed by 1,432 Global Procurement employees (over 85%), and 233 employees in other functions completed this training.

Each business and all senior leaders must certify compliance with our Code of Business Conduct annually, and results are reviewed by the Corporate Secretary's Office, Internal Audit and our Board of Director's Regulatory, Compliance & Government Affairs Committee. A global training system tracks bi-annual training on the Code of Business Conduct, which is mandatory for all Johnson & Johnson employees. In February 2018, we deployed internal training on the updated Standards, which has been taken by 1,575 Global Procurement employees and 19,928 employees in other functions. We deployed updated human trafficking and anti-slavery training which is mandatory for all Global Procurement employees and available to all Johnson & Johnson employees. In 2019, we intend to make this training mandatory for new hires and existing employees in the supply chain management area.

**Progress Since our June 2018 Statement:** As described above, we have made significant progress on several initiatives in our ongoing effort to identify and prevent human rights abuses in our supply chain. These include the following:

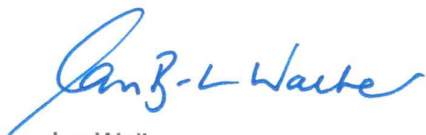
- In 2018, we embedded the Standards into our Procurement processes applicable to all new and existing suppliers. Those Standards, which now include explicit human rights expectations applicable to our suppliers, were updated and deployed in 2017.
- We trained 1,575 Global Procurement employees and 19,928 employees in other functions on the updated Standards, which include explicit human rights provisions. An additional human rights training was developed and is in the process of being deployed to the Global Procurement organization.
- We released and offered a separate new training in Human Rights in the supply chain which is mandatory for all Global Procurement employees and available to all other Johnson & Johnson employees. We enhanced our supplier selection and prioritization criteria for audits, which now include results for EcoVadis scores on Labor and Business Ethics and require consideration of whether the vendor is located in a country considered at high risk for human

rights violations and whether the categories of products procured are considered at high risk for human rights violations.

- We conducted 185 EHS audits and technical visits.
- We completed 542 EcoVadis assessments.
- We completed 11 supplier social audits.
- We evaluated various approaches to a systematic assessment of compliance with the [Global Labor & Employment Guidelines](#) in our operations and expect to deploy a plan starting in late 2019.
- We evaluated different approaches to assess our actual and potential human rights impacts across our value chain.

Our actions as described above support the Johnson & Johnson long-term commitment to respect the human rights of all people and to improve the quality of life in the communities we serve.<sup>3</sup>

This statement was adopted and approved by the Board of Johnson & Johnson Medical Limited on 18 June 2019.



Ian Walker  
Corporate Citizenship Director  
18 June 2019

Last Updated: June 2019

Fiscal Year End Date: December 31, 2018

- <sup>1</sup>The date of this statement is June 2019. Our last statement, dated June 2018, can be found [here](#).
- <sup>2</sup>Our high-risk country classification is based on a list of countries that we establish and update regularly using various external sources of information such as the U.S. Department of State travel warnings, the World Bank's country ranking on Worldwide Governance Indicators, the United Nations Human Development Index, and Transparency International's Corruption Perceptions Index.
- <sup>3</sup>A note regarding approval and signing of this Statement: Where required, authorized representatives of individual Johnson & Johnson operating companies have approved and signed this statement. Signed copies of those statements are available on the relevant affiliate websites and/or upon request from the relevant affiliate.