

*Johnson & Johnson*



**Mike Hewer**  
Director Supplier Sustainability

# Supplier Sustainability

August 2023

# Johnson & Johnson Procurement

We seek to drive economic and societal impact through our procurement

[healthforhumanityreport.jnj.com/2022/](https://healthforhumanityreport.jnj.com/2022/)

“

Suppliers are critical to our mission of changing the trajectory of health for humanity, and we recognize the broad-based impact these external partners have on our communities. That is why we are committed to working with suppliers who not only provide the highest-quality products and services, but who also share our commitment to diversity, equity and inclusion; sustainability; and respecting human rights. By working with suppliers who embrace these imperatives, we can drive even greater benefits for society.



**Shashi Mandapaty**

Chief Procurement Officer,  
Johnson & Johnson

## Global Impact Spend in 2022 by the Numbers

**\$5.88 billion**

Total Global Impact Spend, a **13% increase** compared to 2021

**\$2,927 million**

with small businesses in the U.S.

**\$537 million**

with Tier 1 diverse suppliers in international markets

**\$3.21 billion**

in Tier 1 diverse spend and **\$650 million** in Tier 2 diverse spend

**9% increase**

in spend with U.S. Tier 1 women-owned businesses compared to 2021

**10% increase**

in spend with U.S. Tier 1 Black- and Hispanic-owned businesses compared to 2021

Johnson & Johnson was named to the 2022 CDP Supply Chain Leaderboard for the sixth consecutive year as a result of the strong participation of our suppliers in disclosure to CDP programs:



**85%**

of invited suppliers participated in the CDP Supply Chain Climate Program

**74%**

of invited suppliers participated in the CDP Supply Chain Water Program

# We purchase for good to create a more equitable and sustainable world for all.



## Spending for impact

We drive economic inclusion and job creation by partnering with an inclusive and diverse supplier base, extending these values through our end-to-end supply chain to amplify our impact.



## Respecting human rights in our supply base

To enable a socially responsible supply chain, we seek to prevent modern slavery and improve working conditions in our extended supply base by upholding rigorous labor standards and engaging our suppliers on risk management.



## Partnering for a healthy planet

Together with our supplier base, we strive to minimize our environmental impact through sustainable business practices including reducing our carbon footprint and promoting conservation of natural resources because we know healthy people need a healthy planet.



## External Partnerships

We will deliver stakeholder value in alignment with business priorities by investing in external partnerships to bring the outside in for informed decision making and impact.

# Procurement's 2025 Health for Humanity goals

Driving societal impact through our suppliers

## Our Partners

## Our Planet



### Supplier Sustainability

### Partnerships for Good

### Global Supplier Diversity & Inclusion

### Scope 3 Emissions Reductions

By 2025, expand the Johnson & Johnson Supplier Sustainability Program to include all suppliers; monitoring, engaging, collaborating on our joint environmental, social and ethical obligations.

By 2025, establish 10 supplier Partnerships for Good, collaborating with our suppliers to create innovative solutions that drive environmental, social and economic improvements.

By 2025, directly and indirectly spend \$4.5 billion with small and diverse suppliers globally. **We exceeded this stretch target in one year—spending \$5.9 billion with Tier 1, Tier 2, and small suppliers in 2022.**

By 2030, reduce absolute upstream value chain (Scope 3) emissions by 20% from 2016 levels.

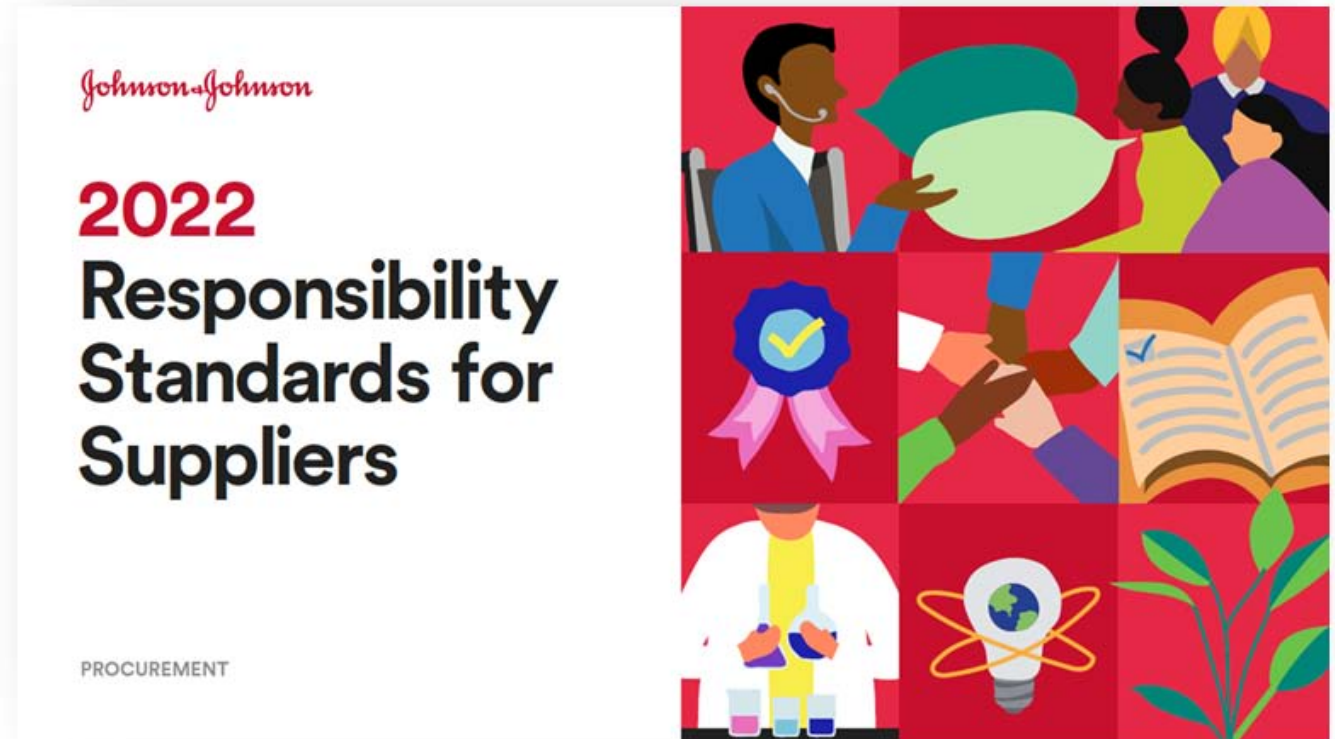
# Supplier Sustainability

Our Expectations of our Suppliers

# Responsibility Standards for Suppliers


[jnj.com/suppliers/responsibility-standards-for-suppliers](https://jnj.com/suppliers/responsibility-standards-for-suppliers)


- The **Responsibility Standards for Suppliers** outline our expectations of suppliers
- It features several important topics, including **quality, human rights, supplier diversity, and environmental standards**
- Suppliers accept the Standards through **purchase order terms & conditions**, and contracts





“Our approach encourages constructive engagement with suppliers and aims to assist in building their capabilities in line with these Standards.”


# The Responsibility Standards for Suppliers:


 Principles, Expectations, and Approach


 Laws and Regulations


 Ethics and Business Conduct


 Quality

 Environmental Responsibility


 Human and Labor Rights

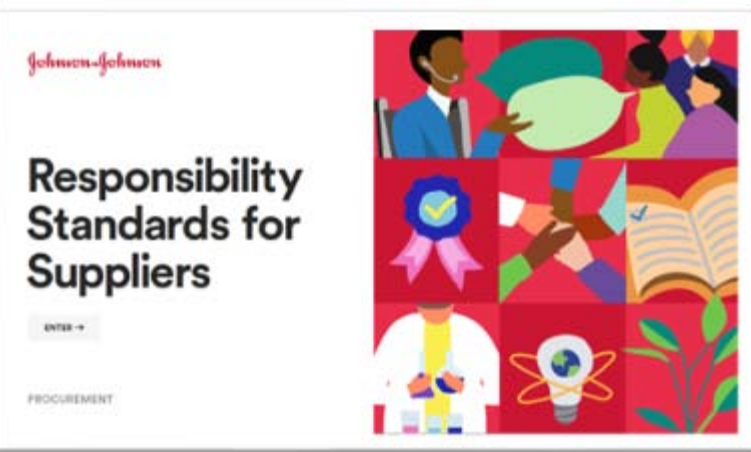
 Health, Safety, and Well-being of Employees

 Supplier Diversity, Equity & Inclusion

 Health Care Compliance (HCC)

 Privacy

 Management Systems & Information Security





# Environmental Responsibility

Suppliers to Johnson & Johnson Companies are expected to **operate in an environmentally responsible manner and encourage their supply base to do the same.**

## As such, they shall:

- Seek to optimize the efficient use of natural resources and materials in their business operations.
- Establish public, science-based greenhouse gas emissions reduction goals toward net zero emissions.
- Continuously improve energy efficiency and increase consumption of renewable energy in operations.
- Measure and publicly disclose greenhouse gas emissions.
- Implement programs to manage and control air and wastewater emissions, ensuring compliance and protection of human and environmental health.
- Prevent and mitigate accidental spills and releases of hazardous materials or substances into the environment and any subsequent adverse impacts on the local community.
- Manage waste compliantly and responsibly regarding the environment, employee safety and public health, from generation through collection, storage, transportation and ultimate disposal.

- Implement programs to reduce, reuse and recycle waste and promote recyclability and recycled content in packaging materials.
- Implement water stewardship programs that include monitoring water withdrawal and assessing and mitigating risk in water-stressed areas.
- Ensure all purchased plant and forest-derived materials are legally produced and harvested, in compliance with laws and regulations on the use and protection of forests and are legally exported and imported.
- Integrate biodiversity considerations and conservation programs promoting fair and equitable practices across their operations and in their supply base.
- Ensure products do not contain restricted or banned materials, substances and chemicals.

In addition, suppliers shall demonstrate they have policies and management systems to identify, prevent, mitigate and account for impacts on the environment in their own operations and their supply base.

# The Importance of Climate

A Priority Area for Global Business



SCIENCE  
BASED  
TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

## The Climate is a **Global Issue**

We have expectations across our global markets to measure, reduce and ultimately, eliminate, emissions associated with our business.

## Suppliers are a **Significant Source of Emissions**

Our scope 3 emissions are the largest component of emissions – and purchased goods and services are the largest part of that.

## Suppliers need to Assure Us They Working On **Emission Reductions**

Suppliers need to set goals and work on reductions in line with Johnson & Johnson's ambitions – **suppliers should start with having targets that are verified by the SBTI.**

Suppliers to Johnson & Johnson Companies are expected to respect all internationally recognized human rights<sup>1</sup> in their own operations, supply base and business relationships in line with the responsibility that all companies have under the [United Nations Guiding Principles on Business and Human Rights](#).

Supplier shall avoid infringing on human and labor rights and address negative impacts in their own operations, supply base and business relationships. As such, they shall:

- Prohibit the use of forced, bonded or compulsory labor, including involuntary prison labor. Suppliers shall not engage in any form of human trafficking or any slavery-like practices.

- Not restrict workers' freedom of movement and ensure workers have access to their identity documents, immigration papers, work permits and other personal documents.

- Ensure that workers, including foreign migrant workers, do not pay fees or other costs associated with their recruitment and employment (for example, legal costs, travel, lodging, passport or visa processing, medical exams, training, or personal protective equipment).

- Ensure workers are aware in advance of the terms and conditions of their work, preferably through a written employment contract.

- Prohibit the use of child labor. The employment of young persons shall conform with International Labour Organization Conventions 138 and 182 and comply with all applicable laws and regulations concerning age, hours, compensation, health and safety.

- Provide a workplace free from discrimination and harassment, including sexual harassment or abuse and mental or physical coercion. There shall be no discrimination or harassment of an individual on the basis of gender, race, color, age, language, ethnicity, national origin, sexual orientation, gender identity/expression, pregnancy, medical condition, disability, religion, union membership, indigenous status, military service, or marital status in hiring and employment practices and in the workplace.

- Respect the right of all workers to freely associate, to form and join trade unions of their choosing, to seek representation, to bargain collectively and to engage in peaceful assembly, as well respect the right of workers to refrain from such activities. Workers and/or their representatives shall be able to openly communicate with management regarding working conditions without fear of reprisal, intimidation, or harassment.

- Provide safe, clean and orderly working conditions, respect workers' rights to rest and honor days off. Suppliers shall comply with all applicable laws and collective agreements including those relating to working hours, overtime, maximum hour rules, meal and rest periods and paid leave. Overtime work shall be voluntary with recognition of business needs and due care for the health and safety of workers. Overtime shall be compensated at a premium rate in line with the law as a minimum standard.

# Human and Labor Rights

2 of 2

- Pay fair wages and benefits (statutory or negotiated) that meet or exceed the legal minimum for all hours worked and provide for an adequate standard of living. Suppliers shall communicate to all workers the wages they are to be paid in advance of commencing work, any overtime required and the wages to be paid for such overtime and provide workers with a timely and understandable wage statement.
- Provide means for all workers and affected individuals to raise concerns, complaints and grievances in an accessible and confidential manner, and without fear of harassment and retaliation. Issues shall be addressed in a timely and respectful manner and include documentation and corrective actions.

In addition, suppliers shall demonstrate they have policies and management systems in place to identify, prevent, mitigate and account for their (potential or actual) negative impacts on human and labor rights in their own operations, supply base and business relationships.

Consistent with the UN Guiding Principles on Business and Human Rights, this includes a formal commitment to respect human rights, ongoing human rights due diligence, engagement with affected stakeholders, exercising

influence over suppliers and business partners on their impacts, enabling remediation of negative human rights impacts and consideration for at-risk and vulnerable people.<sup>2</sup>

<sup>1</sup> "Internationally recognized human rights" are understood, at a minimum, as those expressed in the International Bill of Human Rights and the International Labour Organization's "Fundamental Principles and Rights at Work" ([UN Guiding Principles on Business and Human Rights - pp.13-14](#)).

<sup>2</sup> "At-risk/vulnerable" people: Suppliers shall consider:

- The different types of workers in their own operations and supply base including employees, temporary, contingent, contracted, sub-contracted or outsourced workers.
- Other potentially at-risk or marginalized groups such as women, children and youth, elderly persons, ethnic minorities, religious minorities, LGBTIQ+ persons, indigenous peoples, persons with disabilities, foreign migrant workers, prison workers and refugees.
- Different gender impacts, such as for women and girls.

Suppliers to Johnson & Johnson Companies are expected to respect all internationally recognized human rights<sup>1</sup> in their own operations, supply base and business relationships...

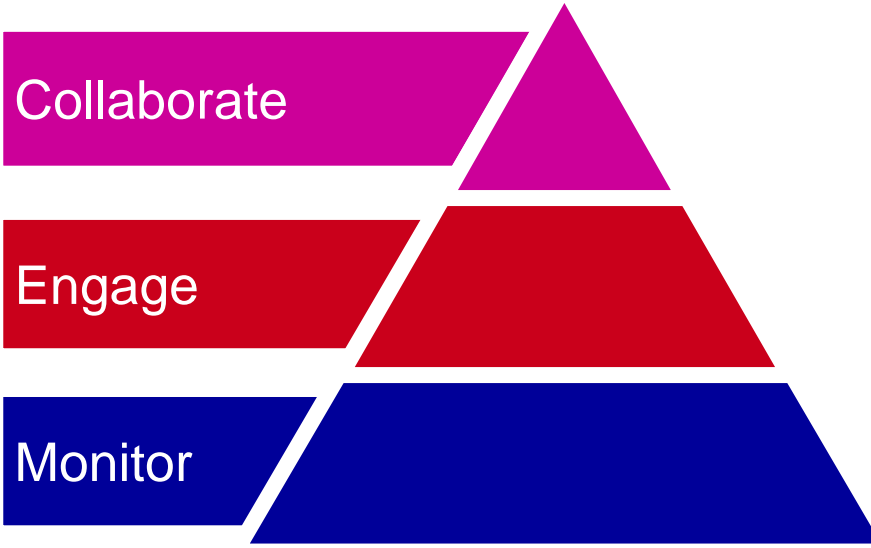
“By 2025, expand the Johnson & Johnson Supplier Sustainability Program to include all suppliers; monitoring, engaging, collaborating on our joint environmental, social and ethical obligations.”

## Capturing All Our Suppliers

We **collaborate** with our leading suppliers on projects, including our Partnerships for Good, which drive substantial impact in sustainability – specifically environmental impact reduction and human rights.

We **engage** directly with a significant part of our supply base on structured disclosure, assessment and improvement through our Supplier Sustainability Program.

We **monitor** our entire supply base, and potential new suppliers, to mitigate risk and ensure conformance to the law, our standards and our obligations.



# Sustainability Programs to Support Suppliers

A focus is needed in all three areas to deliver our goals.

Supplier Assessment  
& Reporting



Capability Building



Onward  
Sustainability  
Program

Impact Efforts



Joint Climate Plans



# Onward Supplier Sustainability Program

## Engaging Capability Building

Launched in 2021 as part of our award-winning Supplier Sustainability Program to replace our supplier toolkit.

## Linked to Business Needs

Focused on meaningful aspects of supplier capabilities and curated to link to Johnson & Johnson's expectations of suppliers.

## Focused on Developing Suppliers

Designed as a forum and community for our suppliers who needed help in getting started or addressing specific aspects of their sustainability performance.



# Onward Supplier Sustainability Program

## Season 1

- 1 - Supplier Sustainability Basics
- 2 - Audit Hosting Practices
- 3 - How to Start your Own Supplier Sustainability Program

## Season 2

- 1 - How To Track Utilities And Energy Use
- 2 - The Importance of Human Rights
- 3 – Supplier Diversity 101
- 4 - Building And Enhancing Your Environment, Health, And Safety Policies
- 5 - EH&S Safety Culture

## Season 3

- 1 - Sustainability Governance
- 2 - Environmental Standards
- 3 - Climate and Emissions Reductions



## Partnerships for Good

Delivering significant impact together

A Partnership for Good is a project where a supplier and Johnson & Johnson **collaborate to achieve an important goal**, such as emissions reductions, upholding human rights, expanding access to healthcare and other areas of sustainability.

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**Directly tied to** the sustainability priorities of our companies.



**Based on an established legal framework** that ensures both parties, and any third parties, understand their commitments and responsibilities.



**Uses our network of internal and external Subject Matter Experts** who help leverage our technical capabilities and our reach.

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**Mike Hewer**  
Director Supplier Sustainability

**Thank You**

**Backup**

# Responsibility Standards for Suppliers



## Supplier Diversity, Equity & Inclusion

Suppliers to Johnson & Johnson Companies are expected to foster a culture of Diversity, Equity and Inclusion (DEI) within their own organizations and throughout their supply base. Suppliers shall embrace DEI, which includes supplier diversity as a business strategy, practice and culture, to transform our world and the lives of all people, strengthen value creation, and support our human rights commitments.

Understand and support our Global Supplier Diversity & Inclusion commitments.

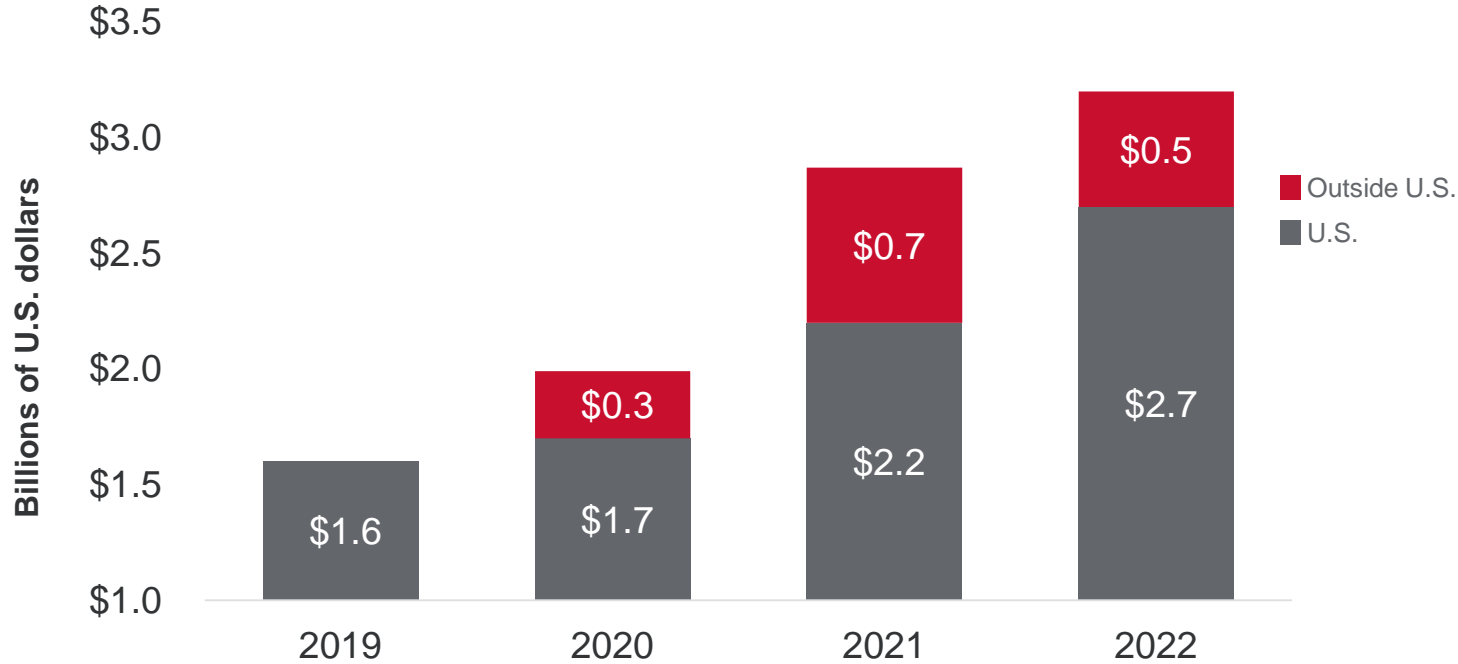
Actively promote the use of diverse and small suppliers across their business and in their partnerships with Johnson & Johnson Companies.

Provide equal access to employment and opportunities for all people, consistent with our Human Rights expectations.

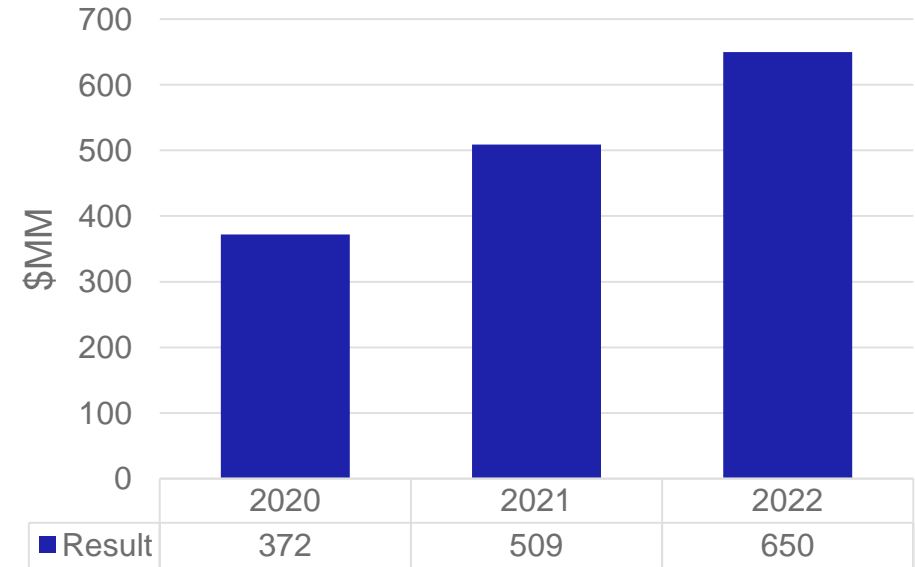
Promote an inclusive environment within their organizations that respects the dignity and diversity of all people.

# Global Supplier Diversity & Inclusion

## Direct spending with diverse suppliers



## Tier 2 Spend



A truly global inclusion program: **20 countries and growing**

### APAC

Australia  
China  
India  
Indonesia  
Japan  
Singapore  
Turkey

### EMEA

Belgium  
France  
Germany  
Ireland  
South Africa  
Spain  
Switzerland  
United Kingdom

### LATAM

Brazil  
Colombia  
Mexico

### NA

Canada  
United States

# Tier 2 Strategy: Priorities & Workstreams (WS)

*Inspire and enable. Expand and engage.*

- Enable growth and engagement with tools, analytics, and communications.
- Fill our T2 pipeline of suppliers
- Build a pipeline of Partnership engagement opportunities

## WS 1 INSPIRE & ENABLE

*Inspire & enable our partners to develop, and grow multi-tier supplier diversity & inclusion programs*



## WS 2 EXPAND & EXECUTE

*Execute expansion plan including SD Program Development and Tier 2 reporting.*



## WS 3 KEY PARTNERSHIP ENGAGEMENTS

*Drive diverse supplier development, enhance/expand relationships and impact, and address SD&I focus areas*



# Partnerships for Good

# Partnerships for Good

## Fair chance employment

- Partnership with **Kelly Services** designed to remove barriers to employment for contingent worker job candidates who may have been previously overlooked.
- Evaluate **existing policies and craft new policies that eliminate unnecessary barriers** and develop new contingent assignment postings with more inclusive language.

## Women's Empowerment Initiative:

Working with **supplier Sodexo**, this partnership focuses on women's empowerment in **EMEA and APAC**, aiming to promote equal access for women to growth and opportunities in our workplaces. A program of initiatives, delivered jointly by Sodexo and Johnson & Johnson, includes mentoring, coaching, job-shadowing for women.



## Partnerships with suppliers and advocacy partners:

We extended our reach by engaging with suppliers to advance DEI initiatives such as our collaboration with **American Express and WBENC**, established to capture spending with women business enterprises (WBEs) by Johnson & Johnson travelers, bringing visibility to those businesses.

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**Multi-Cultural Marketing:** We collaborated with **three agency holding companies** and global media partners to adopt microcharters that support our **DEI** objectives. **DEI metrics** are now included in our agencies' year-end evaluations, and pay-for-performance, including Tier 2 reporting.





# Roundtable Discussion

# Johnson & Johnson Procurement (2022)

<https://www.jnj.com/suppliers>

**Our 45,000 supplier partners are vital to our success.**

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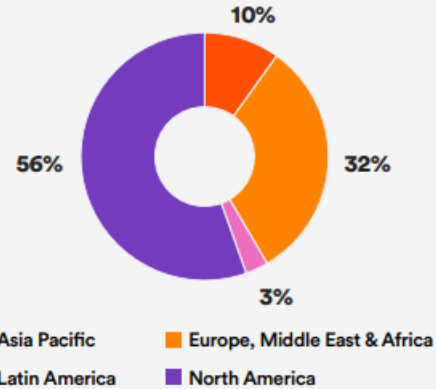
The vital role of a strong supply network is evident to all of us at Johnson & Johnson. The saying “it takes a village” could have been written for our supply chain—although in our case, with tens of thousands of suppliers and Johnson & Johnson employees across the globe, we are talking about a very large village! But the point is clear: We could not achieve our goals without the dedication, collaboration, responsiveness and responsible conduct of all those who are engaged day-in day-out in helping us meet our commitments to our patients through the supply of products, goods, services and technologies to our organization.



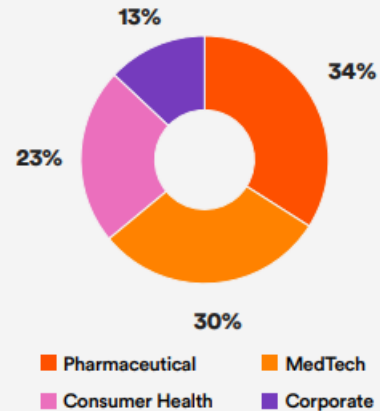
**Kathryn E. Wengel**

Executive Vice President, Chief Technical Operations & Risk Officer, Johnson & Johnson

Supplier Spend\* Contracted by Region (%)



Supplier Spend\* Contracted by Business Segment (%)



**\$40.1 billion**  
total supplier spend\*

**>46,000**  
suppliers globally