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

This statement explains the steps that we have taken to eliminate slavery and human trafficking from our supply chain. Some countries 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 Section 54, Part 6 of the United Kingdom Modern Slavery Act of 2015. This annual statement<sup>1</sup> is intended to provide our customers 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, 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. 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 not only provide the highest quality products and services, but are philosophically and strategically aligned with our commitment to our social and environmental responsibilities. More information on our supply chain can be found [here](#).

**Our Policies:** Johnson & Johnson is committed to ensuring that it conducts its business worldwide with respect for human rights and in compliance with all applicable laws and fair labor practices, as evidenced by our [Statement on Human Rights](#), which was updated in 2018; our [Human Trafficking Policy](#); our [Policy on the Employment of Young Persons](#); and our [Responsibility Standards for Suppliers](#) (“Standards”), which was updated in 2017 after we published our initial California Transparency in Supply Chains Act & United Kingdom Modern Slavery Act Statement in May 2017. Managing the human rights considerations in our supply base is a critical and complex undertaking. Johnson & Johnson takes the following steps to manage our supply chain relationships responsibly:

**Verification/Due Diligence:** Since our initial statement in May 2017, we completed a comprehensive review and update of our Responsibility Standards for Suppliers to include expanded requirements on human rights. An internal cross-functional team coordinated the revision process to ensure that the updated Standards reflect growing internal expectations as well as external trends and benchmarks in responsible supply chain management. Our expectation is that suppliers comply with the revised Standards, which were communicated to all suppliers and all Johnson & Johnson employees responsible for supplier relations. Reflecting the diversity of our supply base, our Standards have been made available in 13 languages.

Since our initial statement, we have continued to verify and monitor supplier compliance with our [Standards](#) through a formal assessment and audit program. Assessments were largely administered through a globally recognized third-party program called EcoVadis. These assessments were conducted for suppliers participating in our Sustainable Procurement Program or our Environment, Health & Safety (EHS) risk assessment program. EcoVadis assessments provide an initial screening of supplier performance, and the results (a score) play an important role in determining which suppliers may require an on-site audit.

**Audit:** We have had an EHS audit program in place for more than 10 years. We mostly leverage the environmental and safety expertise of our internal Environmental Health, Safety & Sustainability organization and on-the-ground presence in various geographic regions to conduct supplier EHS audits. We systematically screen suppliers to be audited 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 vendors, we particularly 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
- Chemicals suppliers

New external manufacturers and API, biologics and vaccine suppliers located in “high-risk” countries<sup>2</sup> are automatically subject to 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 sufficiently 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 [Sustainability Toolkit for Suppliers](#);
- 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.

In 2017, we conducted 189 EHS audits and technical visits.

Since our initial statement in May 2017, we have continued our work to establish an enterprise-wide framework for addressing human rights in our supply base. In addition to expanding the human rights requirements in our updated [Responsibility Standards for Suppliers](#), a cross-functional Human Rights Working Group met regularly to guide and inform the development of the Company's human rights risk assessment approach and audit program. We also started to invest in a new social audit program. The full roll-out of the supplier social audit program is scheduled to take place in 2018. Supplier selection and prioritization criteria will include EcoVadis scores on Labor and Business Ethics, location in a country considered high risk for violation of human rights, and the supplier category, similar to the process we use for EHS audits, as described above. We intend to engage credible third-party audit firms with relevant expertise to conduct these audits on our behalf. Our revised Human Rights training for Global Procurement employees is also scheduled to be rolled out in 2018.

**Certification:** Our standard contracts with suppliers require compliance with all applicable laws. In addition, we are in the process of enhancing our existing terms and conditions regarding human trafficking and slavery. Since our initial statement in May 2017, we have updated our standard Purchase Order (PO) Terms & Conditions (T&Cs) in North America to reflect the updated Responsibility Standards for Suppliers, and are in the process of updating PO T&Cs worldwide in the applicable local languages to also reflect this update. We do not currently require periodic certification to confirm compliance and instead rely on assessments and audits to provide assurance.

**Internal Accountability:** Our [Code of Business Conduct](#), [Statement on Human Rights](#), [Human](#)

[Trafficking Policy](#) and [Responsibility Standards for Suppliers](#) describe our commitment to human rights. Violation of Company policies and procedures is reportable through our company's [Credo Hotline](#). All such reports of allegations of violations will be 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 anyone to report a concern about the business conduct of our employees or suppliers, or to ask questions about our business conduct policies.

At the industry level, we engage with different business organizations – such as the Consumer Goods Forum, the Business for Social Responsibility Human Rights Working Group and the Pharmaceutical Supply Chain Initiative.

- We are a founding member of the PSCI that 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 Initiative'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 member of PSCI events and lead two of the Initiative's committees. In 2017, we used the PSCI Principles to help guide and update our own [Responsibility Standards for Suppliers](#), supporting more industry-wide cohesion and leveraging applied learning.
- Johnson & Johnson is also a member of the Consumer Goods Forum (CGF). Since our initial statement, our Worldwide Chairman of the Consumer segment, Jorge Mesquita, was appointed a member of the CGF Board of Directors for a two-year term. We are actively involved in various CGF working groups that aim to standardize and advance environmental and social sustainability practices across the consumer goods supply chains. In 2017, 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 Responsibility Standards for Suppliers.
- We are an active participant and member of the Business for Social Responsibility Human Rights Working Group, established in 2012 to help companies implement the UN Guiding Principles on Business and Human Rights.

**Training:** Compliance training is required of all employees, and compliance with communication, training and execution of our [Code of Business Conduct](#) is audited. 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 the Board's Regulatory, Compliance & Government Affairs Committee. A global training system tracks 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 Responsibility Standards for Suppliers, which has been taken by more 99% of the Global Procurement Organization. In 2018 we started to deploy updated human trafficking and anti-slavery training for employees who have direct supply chain management responsibilities. In 2018, we intend to make this training mandatory for new hires and existing employees in the supply chain management area.

**Progress Since our Initial Statement in May 2017:** As noted throughout this updated statement, since we first reported on these issues, we have progressed several initiatives in our ongoing effort to identify and eliminate human rights abuses in our supply chain. These include the following:

- We updated and deployed the Responsibility Standards for Suppliers, which now include explicit human rights expectations applicable to our suppliers. Suppliers were notified of the updated requirements and we are in the process of embedding the Standards into our Procurement processes applicable to all new and existing suppliers.
- We trained more than 99% of the Global Procurement organization on the updated Responsibility Standards for Suppliers, 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 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 engaged external audit firms to support the 2018 deployment of an enhanced on-site social audit program and intend to initiate audits later in 2018.

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>



**Luc Huys**

**Managing Director, Johnson & Johnson Ltd**

*Last updated: June 2018*

*Copies of our previous Modern Slavery Act statements are available on request.*

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<sup>1</sup> The date of this statement is June 2018. Our initial statement, dated May 2017, 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 Corrupt Perception Index.

<sup>3</sup> A note regarding approval and signing of this Statement: Where required, authorized representatives of individual Johnson & Johnson affiliates 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.