

2016 Priority Topics Assessment

Process

Our Priority Topics Assessment effort has matured over time, from one prepared mainly to inform the preparation of our Citizenship & Sustainability report in 2008, to a single, enterprise-wide, universal taxonomy and prioritization of topics in 2016 customized for the Johnson & Johnson Family of Companies and reflecting stakeholder input, emerging topics, and Johnson & Johnson's unique business interests. We took the following steps to implement our 2016 Priority Topics Assessment:

Topic identification

An external partner was engaged to assist the newly-formed Enterprise Governance Council in identifying key environment, social and governance (ESG) issues and the stakeholders that care about them. The topic identification took into account external standards, stakeholder input received through a wide variety of engagements, web research, expert interviews, review of key rating frameworks and ESG indices, past "materiality" assessments, internal expertise, business risk, and other inputs. Input into the topic list was also sought from a wide cross-section of senior Johnson & Johnson leaders, to ensure it reflected the depth and breadth of our operations and the key associated ESG issues.

The output from this effort was used to inform the Priority Topics Assessment, and serves as a single, enterprise-wide view of risks and opportunities in ESG, reflecting actual and potential economic, environmental, and social impacts (both positive and negative). A total of 26 issues were identified.

Boundary assessment

Each topic was evaluated for boundaries (where its impact occurred). Impacts were determined both inside and outside the organization, and by business unit, region and stakeholder group.

Ranking of topics

Twelve key stakeholder groups were identified through an examination of Johnson & Johnson's value chain. These groups included advocacy groups/trade associations, consumers, customers, employees, government/policymakers, health care providers, investors/socially responsible investors, local communities, NGOs, quasi-governmental agencies/academic institutions, and suppliers. Contact information for individuals representing each stakeholder group were collected reflecting all regions and three business segments.

Over 1,500 stakeholders were invited to respond to a survey, asking them to rank the priority topics by importance to them, and by their potential for social, environmental and economic impact. Approximately 25% of stakeholders responded; the results of this assessment have been used to rank our priority topics.

The results of the Priority Topics Assessment inform our reporting, our priority topic management, reputation insights, and analytics and communication activities.

Priority Topics Definitions

Product Quality, Safety & Reliability

- Consumer/patient health impact and safety risk, reliable product reputation, manufacturing integrity, supplier transparency, product and ingredient safety and reliability, responsiveness to safety issues, product liability/litigation, misuse/abuse of products.

Ethics & Compliance

- Compliance, tax compliance, competitive behavior, policies and codes of conduct (within Johnson & Johnson and its supply chain, e.g., conflict minerals), shareholder rights, political and economic anti-corruption, lobbying policies and political transparency, responsible marketing practices, clinical trials, bioethics (animal testing, genetic testing).

Access & Affordability

- Pricing, patient assistance and co-pay programs, drug donation programs, health care spending, transparency and reporting, improve access to healthcare (e.g., public-private partnerships, etc.).

Global Public Health

- Emphasis on preventing and treating HIV, Ebola, multidrug-resistant tuberculosis (MDR-TB), and Zika, and promoting maternal and child health. Impact of environmental health on human health (e.g., antimicrobial resistance), including role of Johnson & Johnson in addressing challenges presented by climate change (e.g., spread of disease).

Innovation

- Business model/sustainable innovation, product innovation in disease areas with high medical need, socially beneficial products, socially impactful R&D and innovation, intellectual property issues.

Workplace Safety

- Safe work places for our employees and contractors.
- Leading health and safety metrics.
- Injury and fatality prevention.

Human Rights

- Design/development of policies and programs.
- Training related to human rights, working conditions and treatment of employees at our sites and within our supply base.
- Fair labor practices, collective bargaining, freedom of association, grievance processes.

Ingredients

- Sustainable ingredients and sustainable ingredient ecosystems.
- What we use and how we use it/them.
- Chemicals-based legislation/emerging issues with chemicals.

Community Impact & Development (includes Indirect Economic Development)

- Philanthropy and Johnson & Johnson employee engagement in local communities.
- Support for employee, customer, and supplier causes (e.g., matching gifts, partnerships), community partnerships, local community development (e.g., job creation, small business support).
- Additional consequences of the direct impact of financial transactions and the flow of economic activity between Johnson & Johnson and stakeholders (e.g., infrastructure investments and services supported).

Procurement & Supplier Management

- Supply chain transparency.
- Environmental, social and economic impact of suppliers.
- Safe and ethical working conditions and fair treatment of employees at supplier sites.
- Supplier diversity and partnerships.
- Spending with diverse suppliers.

Diverse & Inclusive Workforce

- Equal opportunity and diversity (gender, LGBTQ, minorities).

Healthy Workforce

- Employee health and wellness.

Product Stewardship

- The responsible management of the entire product lifecycle to ensure that more sustainable and environmentally compliant products and packaging are available to our customers.
- Includes natural resource conservation, supporting the circular economy, stewarding products to reduce resource impacts/increase compliance, product reusability, importance of and process for delivering sustainable/greener products.
- Product design and lifecycle management; material use and efficiency.

Corporate Governance

- Adherence to requirements, executive compensation, board diversity and tenure, C-suite values and ethics (includes Credo values-driven culture).

Data Protection & Privacy

- Security of corporate data, privacy of customer data and health information, product security from cyber threats.

Human Capital Development

- Educational access and training.
- Recruitment, retention, and turnover.
- Performance management.

Counterfeiting & Illicit Trade

- Product safety and integrity, supply chain security, channel security.

Climate & Energy

- Fossil and renewable energy use.
- Carbon emissions from our operations and those of our suppliers.
- Efforts to reduce our dependence on fossil fuels.

Product End of Life

- Issues that are raised at the end of a product's use, including policies on product take back/extended producer responsibility, pharmaceuticals in the environment, product packaging, disposal and recycling, and antimicrobial resistance stewardship.

Water

- Water use and water discharge.
- Water scarcity, and our operations in water-sensitive areas.

Economic Performance (includes Market Presence)

- Economic value generated and distributed; defined benefit plan obligations; financial assistance received from any government; and the financial implications of climate change.
- Contribution to economic development in the local areas of communities where we operate, e.g., remuneration, local hiring (including senior management), and other direct economic aspects of local involvement.

Compensation & Remuneration

- Employee compensation.

Waste

- Waste management, generation, reduction and disposal.

Biodiversity

- The diversity of life on Earth including at gene, species and ecosystem levels.