

Task Force on Climate-related Financial Disclosures (TCFD)

We are committed to transparency and continued improvement of our climate disclosures. To address the evolving information needs of our stakeholders, we have provided a Task Force on Climate-related Financial Disclosures (TCFD) aligned summary below. It builds on existing TCFD-aligned disclosures in our annual [CDP Climate Change Reports](#).

RECOMMENDED DISCLOSURE	EXTERNAL REFERENCES	DISCLOSURE
Governance		
<p>Disclose the organization's governance around climate-related risks and opportunities.</p> <ul style="list-style-type: none"> a) Describe the Board's oversight of climate-related risks and opportunities. b) Describe management's role in assessing and managing climate-related risks and opportunities. 	<p>CDP C1.1a, C1.1b, C1.2a</p>	<p>a) Describe the Board's oversight of climate-related risks and opportunities.</p> <p>Position of the individual on the Board with responsibility for climate-related issues Johnson & Johnson's corporate governance structure is comprised of an external Board of Directors and an internal management leadership group – the Executive Committee. The individual with responsibility for climate-related issues is the Executive Vice President & Chief Global Supply Chain Officer. As a member of the Executive Committee, and a management member of the Johnson & Johnson Board of Directors' Regulatory Compliance Committee and Science, Technology & Sustainability Committee (STSC), this position has direct oversight of the Environmental Health & Safety and Sustainability Departments. Responsibility for climate-related issues has been assigned to this position because it has direct responsibility for many inter-related climate change risks and opportunities, including all aspects of supply chain and procurement for Johnson & Johnson's business segments (Consumer Health, Medical Devices and Pharmaceutical).</p> <p>Details on Board oversight of climate-related issues Monitoring and overseeing progress against goals and targets for addressing climate-related issues is a scheduled Board of Directors' relevant Committee agenda item. The Chief Sustainability Officer (CSO), who leads the Sustainability Department, presents updates on the progress toward climate-related goals and targets to the STSC at least annually. The CSO provides regular updates (at least quarterly) to the Executive Vice President & Chief Global Supply Chain Officer, who is a member of the Company's Executive Committee, and a management representative on the STSC and the Regulatory Compliance Committee of the Johnson & Johnson Board of Directors. The Executive Vice President & Chief Global Supply Chain Officer has ultimate approval over the climate risk strategy, policies and release of climate-related information. Our progress toward our climate goals is included in the scorecard that is used to hold our CEO and senior executives accountable for business performance, and is reviewed with our Board of Directors on a quarterly basis. This scorecard is used as part of the process to determine executive compensation, and includes both financial (such as sales and earnings per share [EPS]) and non-financial (such as product quality, product, patient and consumer safety, diversity and climate) goals.</p> <p>b) Describe management's role in assessing and managing climate-related risks and opportunities.</p> <p>The highest management-level positions with responsibility for climate-related issues are the CSO and the Executive Vice President & Chief Global Supply Chain Officer.</p> <p>The CSO reports to the Executive Vice President & Chief Global Supply Chain Officer (the highest level of responsibility for climate-related issues), who is a member of the Company's Executive Committee. The CSO is also a management representative of the STSC and is invited to Committee meetings for environmental sustainability agenda items. Several lines of business directly responsible for environmental sustainability issues, including energy management, waste, water risk and product stewardship compliance, report to this position. While these lines of business have direct management of their programs, this position has management oversight of areas identified as priority impacts. Climate change-related issues have been assigned to this position because of its responsibility for managing environment-related goals including Health for Humanity Goals.</p>

Strategy

Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy and financial planning where such information is material.

- a) Describe the climate-related risks and opportunities the organization has identified over the short, medium and long term.
- b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy and financial planning.
- c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

a) CDP C2.1a, C2.3a, C2.4a

b) CDP C3.1, C3.1d, C3.1e

c) CDP C3.1a, C3.1b

a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.

Description of time horizons

For the purposes of climate disclosure, short-term is defined as 1 – 3 years (aligned with a general financial planning time horizon); medium-term as 3 – 10 years (aligned with Johnson & Johnson's broader strategy and vision used for long-term goals); and long-term as 10 – 40 years (aligned with long-term projections of climate change and a transition to a low-carbon economy).

Climate-related issues for each time horizon that could have substantive financial or strategic impact

Description of Risks

• Short-term

- **Transition risks from emerging carbon pricing regulations in our direct operations:** As a global company with 260+ operating companies conducting business in virtually all countries of the world, Johnson & Johnson has facilities in areas with current and pending carbon tax or carbon cap and trade schemes. Emerging carbon pricing regulations to mitigate climate change in some or all of the countries in which we operate could increase Johnson & Johnson's operating costs.
- **Market risks of changing customer behavior:** Customer preferences are changing because of increased awareness of the impacts of climate change. This in turn impacts our various businesses in different ways – for example, healthcare systems such as the National Health Service (NHS) have stated their commitment to sustainability, and new procurement policies could impact our Pharmaceutical or Medical Devices business. Similarly, many customer segments of our Consumer Health business have voiced concerns over the carbon footprint and sustainable sourcing of their products. Sustainable sourcing can include a number of concerns over climate change impacts such as water scarcity, pollution, environmental practices and deforestation. Failure to effectively communicate technical improvements with consumers, or failure to provide environmentally / climate change-friendly products could cede market space to competitors.
- **Chronic physical risk associated with changes in precipitation patterns and extreme variability in weather patterns:** Growing population, economic activity and consumption, combined with weak water governance and infrastructure in many regions around the world are leading to increased competition for water and pose threats to water quality. Climate change is expected to exacerbate this problem, where water scarcity may increase with more frequent droughts and floods. We have identified increased water risk, including water stress, as a substantive strategic climate-based risk to our operations that has the potential to cause disruptions in operations or increase operational costs.

• Long-term

- **Transition risks from emerging carbon pricing regulations in our supply chain:** Johnson & Johnson relies on global supply chains, and production and distribution processes that are complex and are subject to increasing regulatory requirements that may affect sourcing, supply and pricing of materials used in the Company's products. If suppliers in cascading tiers of Johnson & Johnson's supply chain face increased costs resulting from complying with regulations in geographical regions affected by carbon legislation, these increased costs may translate to an increased cost in raw materials.
- **Acute physical risks of increased severity and frequency of extreme weather events:** Changes to global climate, extreme weather and natural disasters could affect demand for the Company's products and services, cause disruptions in manufacturing and distribution networks, alter the availability of goods and services within the supply chain, and affect the overall design and integrity of products and operations. Climate change is predicted to increase the intensity of precipitation events, particularly in tropical and high latitude areas.

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a) CDP C2.1a, C2.3a, C2.4a

b) CDP C3.1, C3.1d, C3.1e

c) CDP C3.1a, C3.1b

Description of Opportunities

• Short-term

- **Resilience through participation in renewable energy programs and the adoption of energy-efficiency measures:** An increase in cost from climate change regulation can make the capital investment in renewable energy more attractive, which often saves money over a longer period of time. While energy costs as a percent of sales is very low for Johnson & Johnson (<1% in 2020), we have successfully reduced our energy costs by our combination of energy efficiency and renewable energy projects.
- **Resource efficiency opportunities through reduced water usage and consumption:** Operational savings are one aspect of our water risk program that presents an opportunity, particularly in areas of high water risk where current or future water supply disruptions may cause the price of water to increase. As a direct result of our water management methods over the past decades and the implementation of our rounds of water reduction / water risk assessment goals, we recognize the opportunity to reduce operational costs by managing water risk. While the cost of water is relatively low in most regions of the world, there are often positive linkages between water and energy savings that lead to further savings.
- **Use of lower-emission sources of energy:** Johnson & Johnson makes significant investments in renewable energy sources, including 40+ solar arrays and several wind turbines in more than 10 countries. A mindset toward long-term investment in renewables has resulted in energy-related operational savings, rate stability and supporting momentum in the transition to a low-carbon economy.
- **Development and/or expansion of low emission goods and services:** With the increase in the general public's awareness of climate change, the demand for sustainable products is growing each year. Increasingly, our customers—hospitals, government healthcare systems and retailers—are considering environmental attributes of products in their procurement decisions. This is particularly the case in our Consumer Health business segment, where there is a growing market for responsible products, sustainable packaging and other climate-related product stewardship goals.

• Long-term

- **Development of new products or services through R&D and innovation:** According to the 2015 The Lancet Commission on Health and Climate Change, the impacts of climate change threaten to undermine decades of progress in healthcare. Shifting weather patterns, changes in air quality and spread of vector-borne diseases pose significant risks for people's health and well-being, particularly in resource-limited settings (Africa, Latin America and Asia, where they have the potential to spread more quickly). We anticipate that climate change could impact the progress we have made in global health in many ways, whether through air pollution, how infectious diseases emerge and spread (including Neglected Tropical Diseases [NTDs] and pandemic threats such as Ebola and Zika) or shifting weather patterns impacting allergies. Given its far-reaching implications and associated public health costs, combating climate change could be a significant opportunity to protect public health. Emerging shifts in global disease profiles can be expected to require new products and services to help increase human resilience to disease.

Description of the process(es) used to determine which risks and opportunities could have a substantive financial or strategic impact on the organization

Financial risks are categorized according to their ability to impact the achievement of strategic and business decisions, including in the context of financial targets based upon our global growth drivers and overall business performance. We define substantive financial risk at the enterprise level in context of Securities and Exchange Commission required disclosures around "Risk Factors" which are publicly disclosed annually in our Form 10-K. These risk factors consider both various qualitative and quantitative variables in assessing the potential financial impact to the Enterprise.

While it is clear that climate change will have profound implications on the health for humanity, it is not always known with precision the exact magnitude or probability of future risks and how those may impact Johnson & Johnson. As a result, we use a definition for "substantive strategic impact" that enables us to analyze possible futures and put in place programs to increase the resilience of our organization in the face of uncertainty. Substantive strategic impacts are disclosed in this report, which are risks/opportunities with a meaningful impact to reputation and/or public trust, potential for action that could impede Johnson & Johnson from manufacturing or distributing some product volume, and are considered possible, likely, more likely or highly likely in the short- to long-term future.

Strategy

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- Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

a) CDP C2.1a, C2.3a, C2.4a

b) CDP C3.1, C3.1d, C3.1e

c) CDP C3.1a, C3.1b

b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy and financial planning.

Impacts on businesses and strategy

- Products and Services (short- & medium-term time horizon):** Risks from climate change could impact products and services in several ways: regulatory risks (e.g., carbon taxes); the availability of raw materials; and supply chain disruptions from chronic or acute physical climate change events could increase the costs of raw materials and energy. This could be passed along to the consumer and change the price competitiveness of our products and services, or cause disruptions in supply. Similarly, there are climate-related opportunities for our Medical Devices and Consumer Health business segments as our customers—hospitals, government healthcare systems and retailers—are giving more consideration to environmental attributes of products in their procurement decisions. We also anticipate that climate change will impact global health in many ways, including how infectious diseases emerge and spread, which may increase the need for new products and services in areas such as NTDs and pandemic preparedness. Our Health for Humanity Goals and strategy address several aspects of these risks. To address price competitiveness specifically related to energy, we are implementing goals to reduce our emissions (60% Scope 1 & 2 reduction by 2030 from a 2016 baseline), which has energy-saving implications.
- Supply Chain and/or Value Chain (short- & medium-term time horizon):** We believe that improving supply chain transparency and sustainability creates value by reducing sourcing risks and protecting our brand reputation and can have far-reaching positive impacts on society and the natural environment. As the world's largest and most broadly based healthcare company, Johnson & Johnson maintains operations in many countries of the world and works with more than 51,000 suppliers across our three business segments. We manage a highly complex network of supplier relationships that are critical to business success and our ability to fulfill our obligations to those we serve. Risks from climate change impact our supply chain in several ways: regulatory risks that could increase the cost of materials used in our products; physical risks (such as droughts and extreme weather events) that have the potential to interrupt supply chains; and reputational risks that could arise from climate issues in our supply chain. Our Health for Humanity Goals address sustainable procurement from multiple angles, including reporting and performance. Our participation in the CDP Supply Chain program (climate and water) also helps us understand where there are risks and opportunities in our supply chain.
- Investment in R&D (short- & medium-term time horizon):** As a global healthcare leader, Johnson & Johnson is at the forefront of addressing the world's most intractable diseases. As part of our ambition to create a world without disease, our R&D efforts are strategically focused on finding transformational solutions that can change the lives of patients in both developed and developing countries. Climate change could impact global health in many ways, including how infectious diseases emerge and spread, resulting in the need for new products and services in areas such as pandemic threat (vector-borne and zoonotic diseases, tuberculosis). This can be both a risk and an opportunity—a risk if global disease trends are not anticipated with enough time to develop and market products, and an opportunity to develop and deliver new products to address the need. Our R&D investment strategy has been informed by global health trends, in which climate change plays an indirect role. The magnitude of this impact to date has been small in comparison to other measures (such as total operational costs and/or revenues).
- Operations (short- & medium-term time horizon):** Risks from climate change have impacted operations in several ways, including: rising operational costs from carbon regulation and/or rising energy costs; and chronic/acute physical risk impacts such as water scarcity and/or increased frequency or intensity of hurricanes. As a result of these risks, we have implemented measures to have capital funding available to reduce current and long-term exposure to operational costs whenever possible, such as an up to \$40 million per year CO₂ Capital Relief Program, for carbon- and water-reducing projects. We have also updated operational processes to assess and mitigate impacts from water risk by implementing a program to thoroughly assess and address many aspects of water risk in our operations.

Strategy

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- Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

- CDP C2.1a, C2.3a, C2.4a
- CDP C3.1, C3.1d, C3.1e
- CDP C3.1a, C3.1b

- Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.**

Climate-related scenarios and associated time horizon(s) considered

In 2018, Johnson & Johnson undertook a qualitative climate-related scenario analysis in line with the TCFD recommendations. Nine existing climate scenarios were evaluated covering transitional and physical risks, with the IEA's 2018 World Energy Outlook (WEO) selected as a reference for transitional risks and the IPCC AR5 selected as reference for physical risks. Business as Usual (BAU) scenarios included the Current Policies Scenario (6C) for transition risks and RCP 8.5 for physical risks; Low Carbon Scenarios included the Sustainable Development Scenarios for transitional risks and RCP 4.5 for physical risks. Time horizons considered were up to 2040 for transitional risks, and up to 2100 for physical risks. Indicators were developed and assessed under a BAU and Low-Carbon scenario in order to categorize overall impact and preparedness to mitigate risk or capitalize opportunity. Johnson & Johnson considered both direct operations and supply chain in areas of energy pricing, political stability, global disease profiles, technological changes, consumer awareness, physical impacts and deforestation.

Risk Management

Disclose how the organization identifies, assesses and manages climate-related risks.

- Describe the organization's processes for identifying and assessing climate-related risks.
- Describe the organization's processes for managing climate-related risks.
- Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.

- CDP C2.1, C2.2a
- CDP 2.1
- CDP 2.1

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- Describe the organization's processes for managing climate-related risks.**
- Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organization's overall risk management.**

Johnson & Johnson's process to identify, assess and respond to climate-related risks and opportunities is integrated into a multi-disciplinary Company-wide risk management process that covers all stages of the value chain (direct operations, upstream and downstream) for climate-related risks such as current regulation, emerging regulation, technology, legal, market, reputation, acute physical and chronic physical impacts. This assessment covers short-, medium- and long-term horizons and is integrated into the [Johnson & Johnson Enterprise Risk Management \(ERM\) Framework](#).

The Johnson & Johnson ERM framework helps identify potential events that may affect the Enterprise, manage the associated risks and opportunities, and provide reasonable assurance that our Company's objectives will be achieved. Our approach to ERM is informed by principles outlined by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Climate-related risks are integrated into this Company-wide risk management process.

The Johnson & Johnson ERM Framework comprises five intertwined components:

- STRATEGY & OBJECTIVE SETTING:** The Executive Committee (EC) establishes overarching strategic goals and sets financial targets based upon our global growth drivers. These goals are cascaded to our businesses around the world, ensuring alignment across the Enterprise. Senior management is accountable for meeting these goals and objectives. Business unit, functional and individual employee goals and objectives are typically aligned to those of the overall organization.
- PERFORMANCE:** Internal and external issues and events affecting our ability to achieve established objectives are typically identified at various points in the business cycle. During planning and review processes, business unit management assesses the marketplace and competitive environment, including megatrends, to identify risks and opportunities facing their business. The various risk management functions provide expertise, support and input into the process as needed. Business leaders, in partnership with the applicable risk management functions, determine the appropriate way to address identified risks. The activity or situation posing the risk may be avoided, accepted, reduced, shared or transferred, depending on the facts and circumstances. To help ensure risk responses are consistently implemented, risk management functions may set policies, define minimum standards and/or issue guidelines that apply to Johnson & Johnson business activities. Risk management functions help support the implementation of these policies, standards and guidelines through monitoring tools, including self-assessments, that enable local leaders to understand where controls are necessary as well as where improvement may be required.

Risk Management

Disclose how the organization identifies, assesses and manages climate-related risks.

- a) Describe the organization's processes for identifying and assessing climate-related risks.
- b) Describe the organization's processes for managing climate-related risks.
- c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.

- a) CDP C2.1, C2.2a
- b) CDP 2.1
- c) CDP 2.1

3) **REVIEW & REVISION:** Critical to our ERM framework is a review and reporting process to ensure risks are effectively assessed and appropriate risk responses and controls are in place. Testing, auditing and assessments are typically performed by personnel who don't report into the business in order to provide assurance that risk responses are being implemented, procedures are understood and followed, and appropriate controls are in place.

4) **INFORMATION, COMMUNICATION & REPORTING:** Information and communication channels are in place, so business leaders and employees are aware of risks that fall into their area of responsibility. Key risk functions meet regularly with the Johnson & Johnson Board of Directors, the EC, each business segment leadership team and select other senior leadership teams to ensure visibility and ownership of critical risks. Policies and procedures are in place that require incidents of noncompliance, adverse events, control failures or critical unmitigated risks to be escalated to senior management and, if appropriate, the proper authorities in a timely manner.

5) **GOVERNANCE & OVERSIGHT:** Our Board of Directors provides oversight of senior leadership's management of the various risks the Company faces. The Board meets at regular intervals with EC members, other senior business leaders and leaders of risk management functions to discuss risk factors related to the Company. It also receives regular reports from senior representatives of the Company's independent auditor. The EC establishes overarching strategic goals and oversees the business segments as well as the risk functions. Johnson & Johnson business leaders are accountable for managing risks affecting their respective business segments and the overall Enterprise. Risk management functions are responsible for identifying and assessing risks to business leaders and collaborating with them to find effective ways to manage identified risks.

Metrics and Targets

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

- a) CDP C4.2, C4.2a
- b) CDP C5, C6, C7, C8
- c) CDP C4.1, C4.1a, C4.2, C4.2a

a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.

Johnson & Johnson provides annual updates to metrics on climate-related risks associated with emissions, energy, water, energy, and deforestation in public reports such as our CDP Climate Change Questionnaire, CDP Water Security Questionnaire, CDP Forests Questionnaire (Section C) and Health for Humanity Report (available on our website). These metrics include Scope 1, 2 and 3 emissions; total energy consumption by fuel; renewable energy consumption; % of facilities exposed to water risk; % of facilities undergoing a water risk assessment; and sustainable sourcing commitments for forest-derived products.

b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.

Johnson & Johnson provides annual updates to Scope 1, 2, and 3 emissions in our CDP Climate Change Questionnaire (C5 Emissions Methodology, C6 Emissions Data, C7 Emissions Breakdown, C8 Energy) and our Health for Humanity Report.

c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.

Johnson & Johnson has several targets to manage climate-related risks and opportunities, including the following:

- By 2025, source 100% of our electricity needs from renewable sources
- By 2030, achieve carbon neutrality for our operations, going beyond our Science-Based Target to reduce absolute Scope 1 and 2 emissions 60% from 2016 levels
- By 2030, reduce absolute upstream value chain (Scope 3) emissions 20% from 2016 levels

Annual progress toward these targets is disclosed each year in our CDP Climate Change Questionnaire (C4 Targets & Performance) and in our Health for Humanity Report.