



CleanMed

Creating Healing Environments

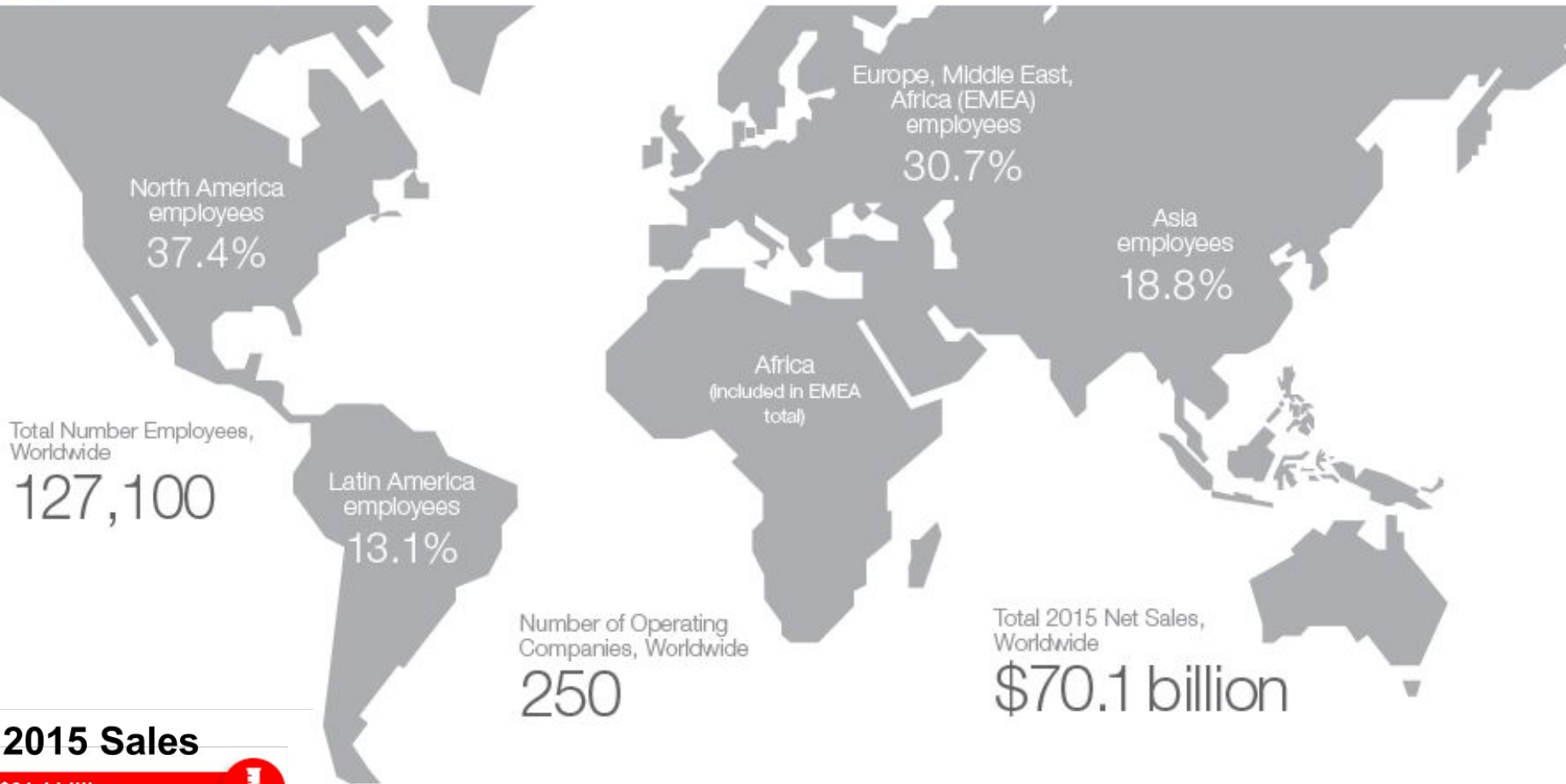
Europe
2016

**Sustainable Procurement
& Supplier Management in Healthcare Sector:
A Case Study from Johnson & Johnson**

Vasco Grilo, Chief Procurement Officer EMEA

Johnson & Johnson

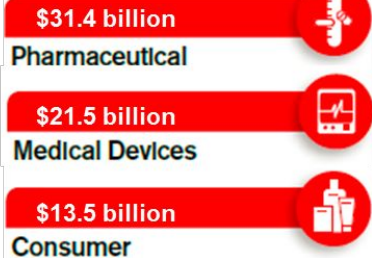
Organizational Profile



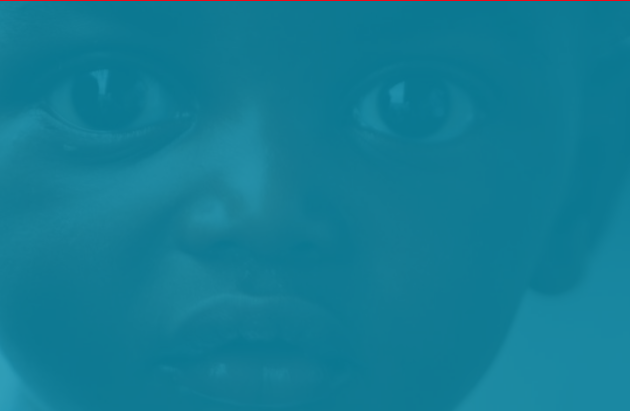
Number of Operating Companies, Worldwide
250

Total 2015 Net Sales, Worldwide
\$70.1 billion

2015 Sales



- More than **80,000 suppliers**
- **389,000 products** and product variations in total that **touch more than one billion people every day.**
- An annual procurement **spend of more than \$30 billion**



People

We'll help people be healthier by providing better access and care in more places around the world.



Places

We'll make the places we live, work and play healthier by using fewer and smarter resources.



Practices

We'll team up with partners and employees to create a culture of health and well-being.

 **Our goal**

Collaborate with our suppliers to accelerate environmental and social improvements across the value chain

FOR EXAMPLE

Enroll suppliers covering 80% of our spend in our Sustainable Procurement Program.

Consistently achieve benchmark spending with U.S. diverse suppliers and small suppliers globally, while doubling our global supplier diversity footprint.

Because our suppliers can help us create healthier places and practices—and contribute to making people healthier



We'll engage with our suppliers as part of the solution.

Practices: Supply Chain Management

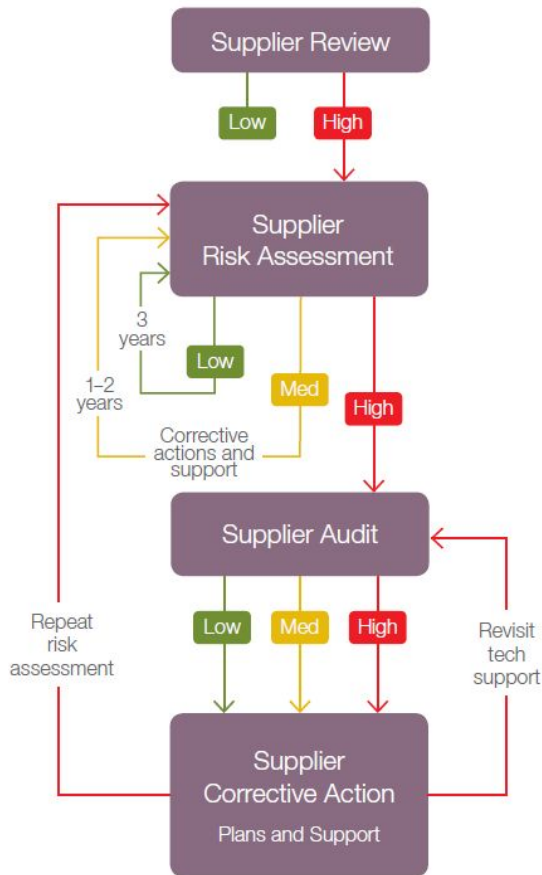
Procurement Sustainability Initiative (PSI) provides the foundation to guide our procurement professionals in their purchasing decisions and a framework to provide guidance to influence our suppliers.



- ✓ Legal Compliance
- ✓ Ethics & Business Conduct
- ✓ Quality
- ✓ Human Rights, Labour & Employment
- ✓ Health, Safety and Well-being of Employees
- ✓ Sustainability and Environmental Responsibility
- ✓ Management Systems
- ✓ Transparency and Disclosure
- ✓ Monitoring and Compliance

Practices: Supplier Assessments and Improvement

Responsible External Supply



- *Initial supplier review considers supplier location and what products or services it provides.*
- *High priority suppliers are evaluated using a formal EHS&S risk assessment, (internal process or by our external partner – EcoVadis) and an on-site audit (if high risk).*
- *Suppliers are ultimately assigned ratings of high, medium or low which triggers specific follow-up actions.*
- *Supplier improvement is monitored and support is provided through our EHS&S training and development programs.*

Our Healthy Future 2015 Goals Highlights

98 percent of our strategic suppliers, representing approximately 25 percent of spend, publicly reported at least two sustainability goals.
(Target: 100 percent of strategic suppliers.)

Partial

Achieved \$1.39 billion in spend with diverse suppliers.

Exceeded

Over 80 percent of all goods suppliers in high-risk countries and any service providers with greater than \$250,000 in spend with operations in a high-risk country confirm awareness of and conformance with the human rights provisions of our policies.

(Target: 100 percent.)

Partial

99.85 percent of Johnson & Johnson procurement and supply chain professionals and others in positions most sensitive to potential human rights infringement have received human rights training.

(Target: 100 percent.)

Met

Supplier Diversity & Inclusion

“ We are responsible to the communities in which we live and work and to the world community as well.” – Our Credo

- Billion Dollar Roundtable member for the **fifth consecutive year**
- Tier 1 and Tier 2 diverse spend with suppliers at **approximately 11 percent** of total U.S. spend
- Veteran- and disabled-owned Veteran Business supplier spend at approximately **\$90 million**
- Lesbian, gay, bisexual, transgender supplier spend at more than **\$1.3 million**
- More than **13,500** certified minority- and women-owned and small-business suppliers

Our Credo

We believe our first responsibility is to the doctors, nurses and patients, to mothers and fathers and all others who use our products and services. In meeting their needs everything we do must be of high quality. We must constantly strive to reduce our costs in order to maintain reasonable prices. Customers' orders must be serviced promptly and accurately. Our suppliers and distributors must have an opportunity to make a fair profit.

We are responsible to our employees, the men and women who work with us throughout the world. Everyone must be considered as an individual. We must respect their dignity and recognize their merit. They must have a sense of security in their jobs. Compensation must be fair and adequate, and working conditions clean, orderly and safe. We must be mindful of ways to help our employees fulfill their family responsibilities. Employees must feel free to make suggestions and complaints. There must be equal opportunity for employment, development and advancement for those qualified. We must provide competent management, and their actions must be just and ethical.

We are responsible to the communities in which we live and work and to the world community as well. We must be good citizens – support good works and charities and bear our fair share of taxes. We must encourage civic improvements and better health and education. We must maintain in good order the property we are privileged to use, protecting the environment and natural resources.

Our final responsibility is to our stockholders. Business must make a sound profit. We must experiment with new ideas. Research must be carried on, innovative programs developed and mistakes paid for. New equipment must be purchased, new facilities provided and new products launched. Reserves must be created to provide for adverse times. When we operate according to these principles, the stockholders should realize a fair return.

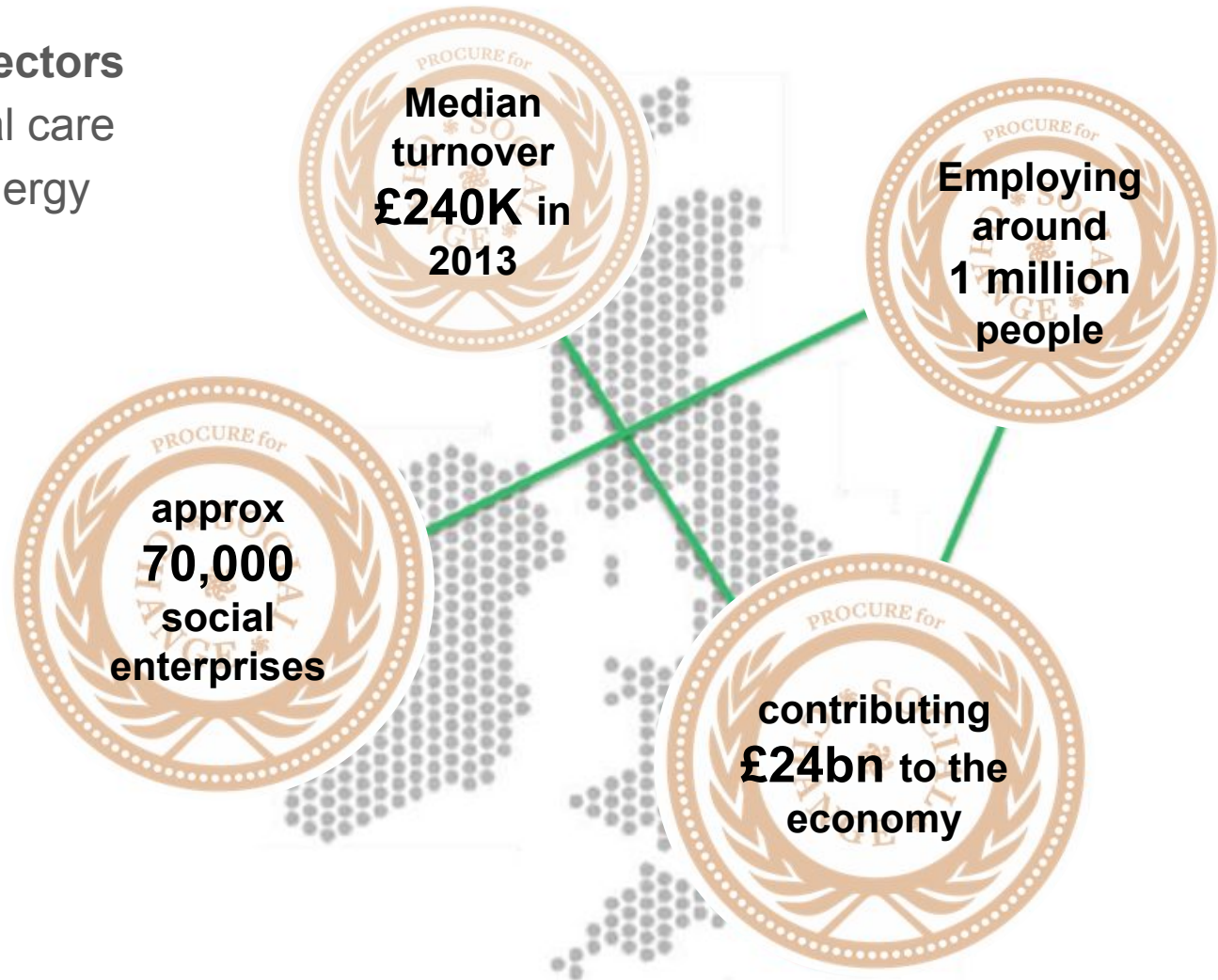
Johnson & Johnson

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Social Impact Procurement Initiative (UK)

Wide Ranging Sectors

- Health & social care
- Renewable energy
- Housing
- Transport
- Retail
- Catering



The Social Case Study: Haven Products

Haven provides:

- High quality services and solutions to businesses in the areas of contract packing, quality inspection and re-work, secure storage, etc.
- Sustainable employment and development opportunities to disabled people.
- Jobs that give people a proper wage with the same terms & conditions as other employees
- The opportunity to gain new skills, increase people's confidence and independence
- Ensure disabled employees become more socially and economically included.



“I’ve been with Haven for about 11 years now. Before that I wasn’t working at all. I had just done a few courses through the Jobcentre. Here you actually feel like you’re part of something instead of being a robot doing the same thing every day. I could never go back to not working.”

Thomas McNally, Haven Employee

Social Innovation Programme: Commitment of Johnson & Johnson UK



Redirecting 3% of our essential business spend to ensure a positive social impact



£15m spend with Social Enterprises by 2020



Supporting 150 jobs for those furthest from the job market



Delivering a DIVERSE & SOCIAL procurement programme

Key Challenges for the Industry:

- Continue to create greater transparency in complex global supply chains
- Meet increasing regulatory requirements for disclosure
- Have suppliers fully understand the importance of growing their own sustainability programs.

..and Opportunities:

- Meet and exceed customer expectations to know what's in our products, where they come from, and who we buy them from.
- Have positive impact on our value chain through selecting with whom we partner and giving our suppliers help and guidance for further sustainability improvements in their organizations.

Questions?