

SUPPLY CHAIN Resilience

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Our Credo defines our responsibility to the patients, doctors and nurses we serve, our employees, communities and stockholders.

Our Credo

We believe our first responsibility is to the patients, doctors and nurses, 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 provide value, reduce our costs and maintain reasonable prices. Customers' orders must be serviced promptly and accurately. Our business partners must have an opportunity to make a fair profit.

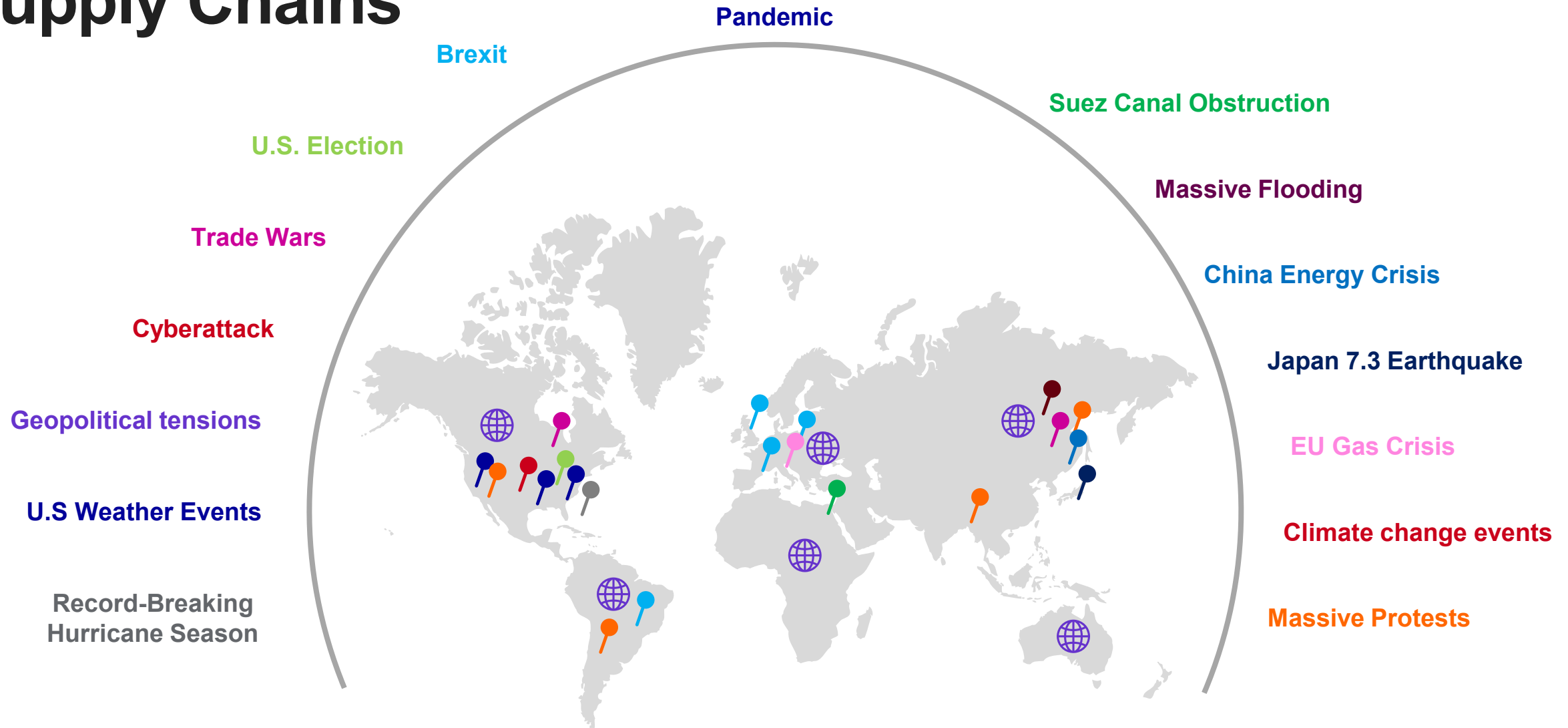
We are responsible to our employees who work with us throughout the world. We must provide an inclusive work environment where each person must be considered as an individual. We must respect their diversity and dignity and recognize their merit. They must have a sense of security, fulfillment and purpose in their jobs. Compensation must be fair and adequate and working conditions clean, orderly and safe. We must support the health and well-being of our employees and help them fulfill their family and other personal 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 highly capable leaders 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 help people be healthier by supporting better access and care in more places around the world. We must be good citizens — support good works and charities, better health and education, and bear our fair share of taxes. 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, investments made for the future 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.



Our World - Disruptions have an impact on Global Supply Chains



Frequency and simultaneous nature of events creates greater vulnerabilities

Developing Proactive Supply Chain Resilience



WHAT IS SC RESILIENCE AT J&J

A way of working that proactively identifies Supply Chain vulnerabilities and eliminates uncertainty to manage **large-scale disruptions**.



WHY DOES IT EXIST

To transform our Supply Chain Risk Management to be more dynamic, proactive and efficient, strengthening our ability to **rebound from disruption** and deliver life-saving treatment to patients.



HOW DOES IT WORK

Our methodology uses digitalization to assess real-time data of Enterprise businesses and functions. It creates **end-to-end visibility to Value at Risk** across the Company and delivers quantifiable, actionable insights specific to each value stream and the systems needed to make effective change.

Build an Industry Leading Proactive Resilient Supply Chain

Improving our preparedness to respond to increasingly complex disruptions with interdependent risks

1

Anticipation benefit:

ability to **recognize threats earlier**, potentially avoiding adverse impact.

2

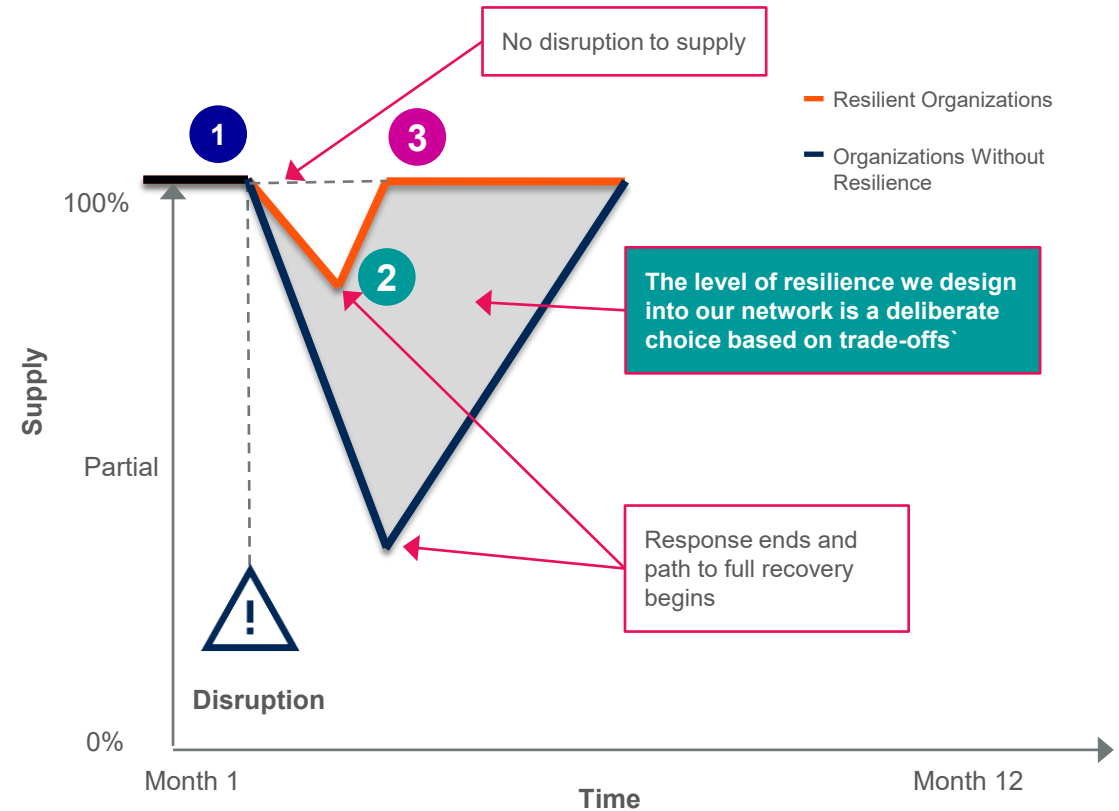
Time to recovery benefit:

ability to **rebound from shock more quickly** and return to normal operating levels more swiftly and effectively.

3

Outcome benefit:

ability to **recover stronger than your competitors** and reach more patients during times of disruption.



3 out of 5 HIRC* members are likely or very likely to award business on the basis of demonstrated superiority in supply chain resilience

Source: Healthcare Industry Resilience Collaborative

Supply Chain Capabilities

Reliability, Agility, and Resilience are unique capabilities that may or may not be interrelated



Reliability

- Supply chain reliability refers to the degree to which a supply chain yields consistent performance.

Agility

- The ability to **sense and respond to unanticipated changes in demand or supply quickly** and reliably, without sacrificing cost or quality

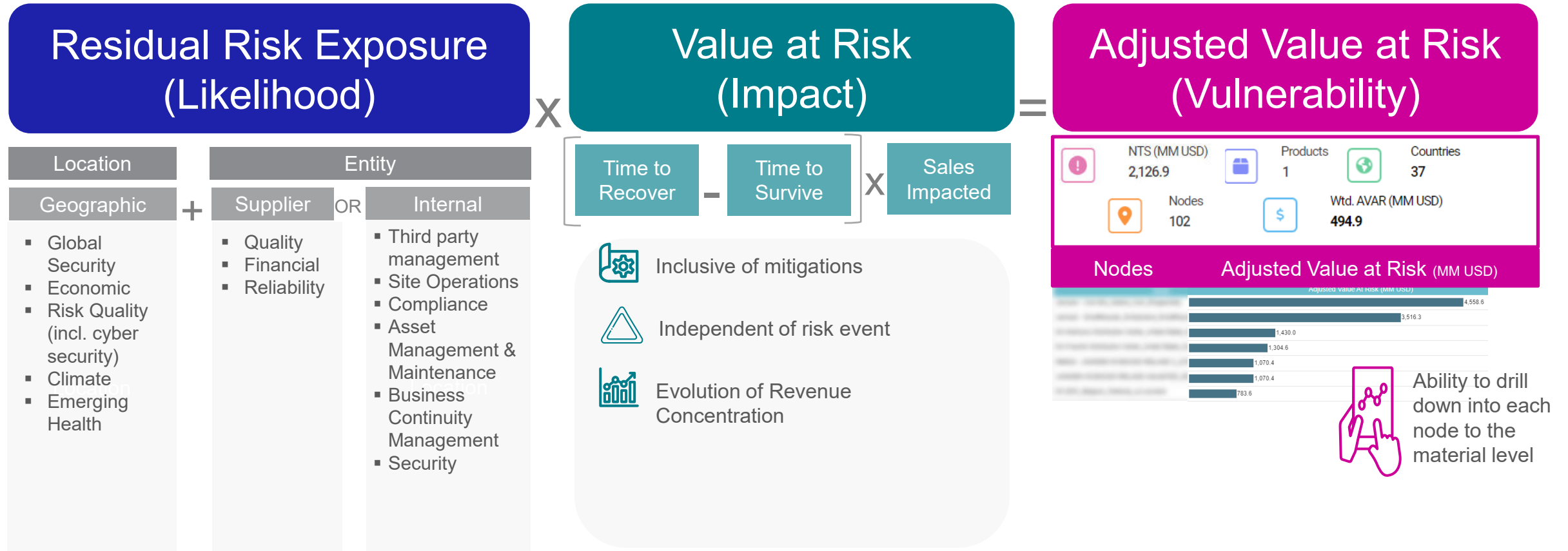
Focus

Resilience

- **Adaptive capability** of the supply chain to **prepare for unexpected events, respond to disruptions, and recover from them** by maintaining continuity of operations at the desired level of connectedness and control over structure and function

Resilience Assessment is built on a standard methodology

Adjusted value at risk is a powerful measure of vulnerability at all levels – node, product, portfolio, network



Data for illustrative purposes only

Resilience Data Considerations

BOM

- Static BOM
- Transactional BOM

Demand

- Receipts and Movement Table
- Previous Year Monthly Demand

Time to Recover

- Provided by Value Chain Leaders

Net Trade Sales

- NTS at Product Family and Material level

Supplier Volume Table

- Supplier Information (i.e. Supplier Name, Country, City, Address)
- Volume / Receipts

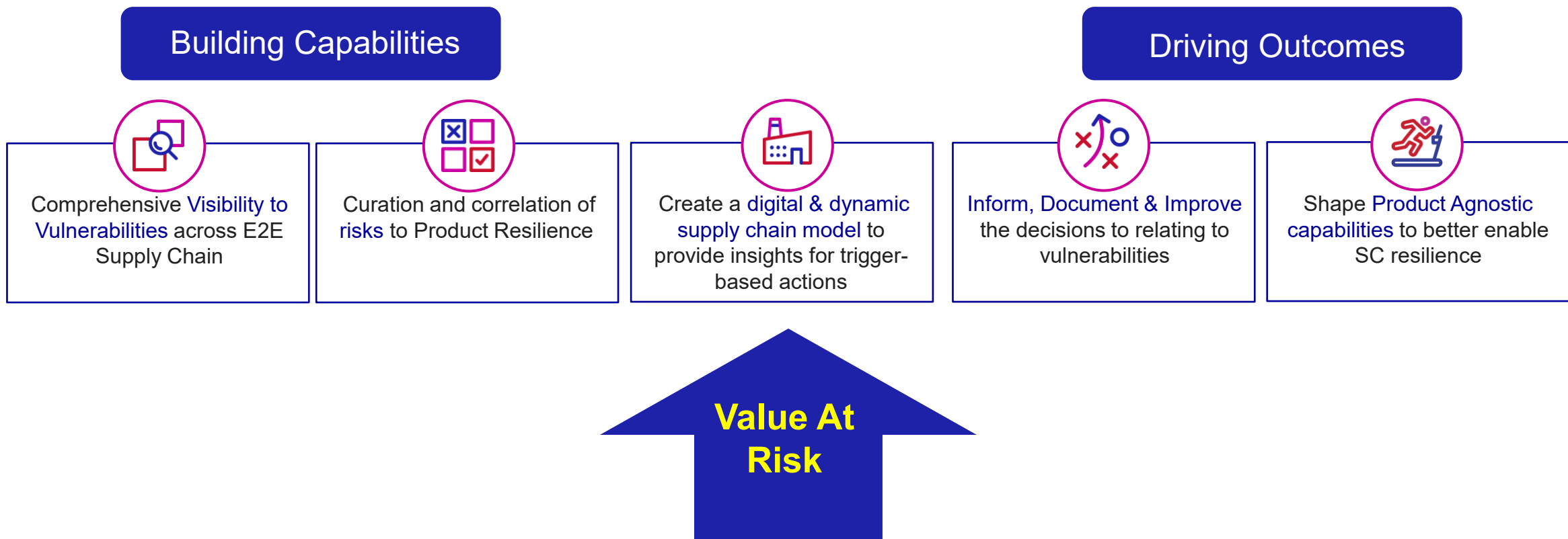
Inventory

- Inventory Table
- Average of the 6 Snapshots for each of the past 6 months

Risk Exposure

- Geographic (Political, Economic, Weather, etc)
- Supplier (Finance, Quality, Reliability)
- Manufacturing (Facility, Security, etc)

Driving SC Resilience Outcomes



Built on best available data which is continuously improving through interconnected and dynamic ecosystem

Resilience Capability Outcomes & Benefit



Resilience Index brings focus while broadening the risk signals



Helps prioritize top vulnerabilities (by node)



Democratizes insights to better understand why node is vulnerable



Assess and prioritize based on desirability, feasibility and viability of mitigation



Drive better decision making and enhance discipline on risk disposition

Use Case 1



Use Case 2



Use Case 3



Strategic

Tactical

Supply Chain Resilience

Required capability to continue to serve our patients in our evolving world



Improve Supply chain Resilience

Leverage strong foundations in risk management

What gets measured gets done

Dynamic visibility to quantified risks and Vulnerabilities

Decision intelligence

Resilience is a consideration in supply chain decisions along with cost, capacity etc



Ensuring continuity for the patients who depend on us