We Are Comprised of Many Businesses. . .

Johnson & Johnson

Medical Device & Diagnostics

Global Surgery

Global Medical Solutions

Global Orthopedics
Health Care Sustainability Challenges

- **GDP**: 17% in U.S. and growing
- **Continued pressure on health care systems**: Aging population and chronic diseases
- **Access to health care**: Increasing pressures to provide options to billions of people globally
- **Energy**: 2nd largest energy user of any industry (Open 24/7)
- **GHG emissions**: U.S. hospitals contribute 8% of nation’s total emissions
- **Water**: Top 10 users
- **Waste**: U.S hospitals generate 5.9 million tons annually
- **Chemicals of Concern**: Mercury in waste stream, 4th largest U.S. source
Customer & Marketplace Trends

87% of hospitals incorporating sustainability into operations

HOSPITAL SURVEY FINDINGS:

- 54%: green attributes are important to purchasing decision
- 40%: future RFPs to include criteria regarding green attributes of products
- 20%: have an Environmental Preferred Purchasing program
- 35%: switched suppliers due to sustainable product offerings
Product Stewardship - Minimize Our Impact
The Johnson & Johnson EARTHWARD® Process

EARTHWARD® Objectives:

• Support the development of more sustainable products

• Provide tools & resources to enable sustainable innovation

• Enable meaningful and credible claims
When we don’t put a number on something, we are giving it the only value that is definitely wrong: **ZERO**

- **Fixing the problem of omitting value** requires a credible estimate of the value
- **Perfection not required**
- **Value of Sustainability Efforts typically exceed expectations**
  - Adjusting the valuation estimate to any reasonable number has little substantive effect

Source: Image: ealingjeff; callout text: adapted from John Sterman, MIT
Sustainability Valuation Model: Purchasers

- Percentage that have EPP programs
- Average weighting
- Fraction of product categories seen as minimally differentiated
- Percentage of minimally differentiated competitions won
- Who is the leader in sustainability?
- How big is the gap?

Customer Segmentation

Product Differentiation

Sustainability Value

Sustainability Differentiation
### Sustainability Valuation Model

**MODEL OUTPUT**

**REVENUE: OPPORTUNITY & RISK**

<table>
<thead>
<tr>
<th>Question</th>
<th>Answer</th>
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<tbody>
<tr>
<td>Can sustainability help to capture market share?</td>
<td>Yes, sustainability platforms could result in potential revenue gains of &gt;$0</td>
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<tr>
<td>Could a competitor sustainability offering take market share away from Johnson &amp; Johnson?</td>
<td>Yes, with potential revenue losses that are &gt;$0</td>
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Instrumental to Future Success

• Model should be a tool for investment prioritization, but it’s not a silver bullet

• Integrating sustainability into business models is critical to protect and grow market leadership

• Sustainability builds upon Johnson & Johnson’s Credo legacy
BACKUP

MEDICAL DEVICES & DIAGNOSTICS
GLOBAL SERVICES, LLC

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