

Johnson & Johnson



SUSTAINABILITY REPORT 2008

About This Report

This report discusses our Company's sustainability activities and progress as of December 2008. It is our sixth annual Sustainability Report and the 12th year we are reporting on our environmental progress. In developing this report, we have considered employee and external feedback on the 2007 report. The feedback was derived from our contact mailbox (csr@its.jnj.com), multiple stakeholder engagements, senior company leadership input and comments received from SustainAbility Inc., an expert consultancy in sustainability reporting.

Our 2008 report begins with a comprehensive discussion of who we are, what we do, how we operate our business and a summary of our sustainability strategy and 2008 highlights. This is followed by a concise discussion of our environmental, social and economic performance as guided by Our Credo. The report is augmented by information contained on our website, www.jnj.com. The primary audience for this report is external stakeholders, a broad and diverse group. The Company has other mechanisms for sharing sustainability progress internally.

Data presented throughout the report typically represents the manufacturing and research and development facilities operated by the Johnson & Johnson Family of Companies. No external manufacturing is included in our data. As we engage further with our supply chain on sustainability topics, additional information on these efforts may be included in future reports.

Changes during the reporting period were related to previously announced restructuring activity as well as acquisitions and divestitures. With the exception of the divestiture of the Professional Wound Care business of Ethicon, Inc.—which resulted in a gain of \$536 million before tax and is recorded in other (income) expense, net, in 2008—divestitures in 2008 did not have a material effect on the Company's results of operations, cash flows or financial position. For further details about these changes, please see sections on Mergers, Acquisitions and Divestitures, and Restructuring in our 10-K Annual

Report, available at www.investor.jnj.com/governance/sec-filings.cfm.

There have been no significant changes from previous reporting periods in the scope, boundary or measurement methods applied in this report.

GLOBAL REPORTING INITIATIVE (GRI)

We approached the report somewhat differently this year, hoping to achieve a greater level of transparency and facilitate engagement on a broader number of performance indicators. Topics were selected based on issues identified as important to our business and industry sector, based on an internal and external review and discussions conducted for this purpose. Additionally, consideration was given to the Global Reporting Initiative's 2006 Sustainability Reporting Guidelines (G3 Guidelines), and GRI indicators were considered in determining the report content.

Our data collection and management process continues to evolve, balancing the need for enterprise-wide information with our philosophy of local company accountability. We continue to evolve our materiality assessment process, in consideration of preparing this report in a formal GRI format. At the end of this report we have included an index with references to G3 indicators.

ON THE COVER After climate change, water may be the world's most pressing environmental challenge. Clean water—and enough of it—is among the bigger-picture environmental impacts we consider as part of our corporate citizenship. Employees like Mladen Loncar, Project Manager with Global Pharmaceutical Supply Group at Cilag AG in Switzerland, plan and implement efforts to reuse or recycle water in our facilities as part of a comprehensive water-management strategy. See “Keeping Water Vital” on page 20.

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FEEDBACK

We invite you to comment on our sustainability activities and this report by emailing us at csr@its.jnj.com.

Message From the Chairman

Caring for the world...one person at a time

Over the past 20 years, the idea of a triple bottom line has emerged as a framework for reporting a company's sustainability—its total impact on the world. This idea has been succinctly expressed as “People. Planet. Profit.” But more than 65 years ago—long before “triple bottom line” was a reporting goal—Our Credo offered Johnson & Johnson a business philosophy that continues to drive a deep commitment to operating sustainably.

We aim to make the world a better and healthier place through everything we do—the businesses we pursue, the products we discover and develop, the philanthropy we give, and the programs and alliances we build and join. Our mission is reflected in the way we run our businesses around the world, every day. Our approach to corporate citizenship defines who we are and how we aspire to act in the world. It is rooted in an enduring appreciation of true sustainability.

OUR REPORTING PRIORITIES

We see corporate citizenship, or sustainability, not as a set of “add-ons” to our business but rather as intrinsic to everything we do. We've long recognized that the sustainability of our business depends on being attuned to society's expectations across many domains—including the environment, access to medicines, advocacy, governance and compliance. In all these areas and more, we find the engagement of stakeholders invaluable. We support and partner with them. More important, we listen to and learn from them.

Stakeholders have asked us to be more specific about the social aspects of our sustainability, as well as measures we use to assess our progress. With this report, and with accompanying information that will be placed on our websites, we are embarking on a path of providing more information. We do not expect to achieve all this in one report, but we do expect to make good progress.

Our report this year will give you a sense of the challenges and opportunities before Johnson & Johnson and help you understand the approaches we are taking, the goals and priorities we've set, and the impact of our performance. This expanded data may still

not meet the preferences and requests of all stakeholders. We acknowledge that there's more to do, and we're working to provide additional performance reporting for the future.

ASSESSING OUR IMPACTS

After assessing various matters that could impact our ability to execute our business strategy, the degree to which our Company can impact these matters, and what we have heard from stakeholders, we believe there are several areas that could impact sustainability for Johnson & Johnson. These include:

- Researching, developing and bringing to market new medicines, medical devices and diagnostics that address unmet medical needs and new consumer products that improve health and well-being
- Enhancing access to our health care products
- Conducting our business to the highest ethical standards
- Ensuring the quality and safety of our products
- Managing our environmental impacts

Each of these is intrinsic to our success.

BRINGING NEW PRODUCTS TO MARKET

Like all health care companies, we face important challenges to innovation that reflect the increasing demand for health care around the world. In the U.S. and other nations, payers are seeking to reform health care and reduce costs. Some of these approaches could have a negative impact on the ability of research-intensive companies to bring innovative products to patients and customers. We are working



WILLIAM C. WELDON
Chairman, Board of Directors,
and Chief Executive Officer

closely with governments and other stakeholders to address these issues through creative policy approaches. For more information about our views on health care policy, see page 8.

We also face competitive pressures, patent expirations and a slower economy. We have successfully managed for these changes and delivered solid growth in 2008. In addition, we have strengthened our core franchises and built a robust pipeline of new medicines. Even as we grow our business in several new directions, we have maintained our financial strength with strong cash flows and a triple-A credit rating. We have also made cost structure improvements that will help us operate more efficiently.

Despite challenges, we see enormous opportunity for continued growth. One area discussed in this report is wellness and prevention, where we are pioneering an exciting new business area for Johnson & Johnson. An aging population is creating high demand for both preventive services and health care. Another area we discuss here is growth in emerging markets, where we are building capacity and developing products specifically designed for these markets. Against all these issues, we believe we made good progress in bringing important new products to market in 2008.

ENHANCING ACCESS

Access to our medicines is more than a philanthropic obligation. If patients do not have access, our work of developing new medicines, devices and diagnostics does not meet its goal. Among our efforts to increase access, we:

- Advocate for enhanced access through health care coverage and participate in many coalitions in the U.S. and elsewhere to improve access to care;
- Offer reduced pricing based on local market conditions;
- Work with key public-private partnerships to bring important new medicines to patients in the developing world;
- Collaborate with generic manufacturers to ensure our HIV medicines reach patients in those countries;
- Support access programs both in the U.S. and through our Global Access Program.

Our access efforts demonstrate that patents need not be a barrier to access. We believe we have made good progress in enhancing access (discussed on pages 8 and 30), and we expect to expand our global efforts in the future.

ETHICAL BEHAVIOR

Conducting our business to the highest ethical standards is a cornerstone of our commitment to putting patients first. Our Credo attracts people who are committed to making a positive difference in the world, and we provide them with comprehensive systems that support ethical behavior and compliance with laws and regulations. We have a solid compliance organization with a Health Care Compliance Office and a Chief Compliance Officer. This office provides oversight at the corporate level, in addition to the many compliance units in our businesses around the world.

In 2008, new sales and marketing codes were implemented in the U.S. pharmaceuticals and medical devices and diagnostics businesses, as was a new direct-to-consumer communications code. In addition, the U.S. pharmaceuticals and medical devices and diagnostics businesses are now posting educational grants and charitable contributions on their websites and have committed to post their payments to physicians by June 2011. We've listed many of our policies and codes of behavior on page 10. Our progress in this area in 2008 was good.

We aim to make the world a better and healthier place through everything we do—the businesses we pursue, the products we discover and develop, the philanthropy we give, and the programs and alliances we build and join. Our mission is reflected in the way we run our businesses around the world, every day.

QUALITY & SAFETY

Ensuring the quality and safety of our products is a hallmark of the trust our customers and patients place in us. Every product we sell must meet high standards, and our products are assessed at each major stage of their lifecycle (see page 12).

Even so, new information about rare side effects or reactions may emerge only after a product is used in large populations. We have worked with others to educate policymakers and the public about the importance of understanding the risks of treatment in the context of benefits. It is only by seeing both risks and benefits that good clinical decisions can be made and optimal outcomes achieved.

In addition to working to ensure the safety of our finished products, we also carefully evaluate component ingredients and materials. We made good progress in 2008 in further enhancing our quality and safety programs.

PROTECTING THE ENVIRONMENT

Our accountability for managing environmental impacts has grown since 1990, when we began setting long-term goals to help us reduce our environmental footprint. Our progress in meeting each of these goals has been good and is discussed on pages 22–25. We're now drawing to the end of the current *Healthy Planet 2010* goal period, and we're actively developing our next set of goals. To guide our goal-setting process, we are seeking input from stakeholders, including government officials, environmental groups, other

companies and academic thought leaders.

For additional information on any of the topics covered in this report, visit our website.¹ This year we have keyed our report topics to the Global Reporting Index and have included in the index at the back of this book specific links to jnj.com and other Johnson & Johnson publications.

Our corporate citizenship is about doing the right thing in all aspects of our business and in every way we touch the world. That's what has always inspired our people, and that's what defines our culture of caring for the world, one person at a time. We are committed to advancing our business and, through it, the health and well-being of people everywhere.



William C. Weldon

Chairman, Board of Directors,
and Chief Executive Officer

June 1, 2009

This report contains “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. These statements are based on current expectations of future events. If underlying assumptions prove inaccurate or unknown risks or uncertainties materialize, actual results could vary materially from Johnson & Johnson's expectations and projections. Risks and uncertainties include general industry conditions and competition; economic conditions, such as interest rate and currency exchange rate fluctuations; technological advances and patents attained by competitors; challenges inherent in new product development, including obtaining regulatory approvals; domestic and foreign health care reforms and governmental laws and regulations; and trends toward health care cost containment. A further list and description of these risks, uncertainties and other factors can be found in Exhibit 99 of the Company's Annual Report on Form 10-K for the fiscal year ended December 28, 2008. Copies of this Form 10-K, as well as subsequent filings, are available online at www.sec.gov, www.jnj.com or on request from Johnson & Johnson. Johnson & Johnson does not undertake to update any forward-looking statements as a result of new information or future events or developments.

¹ www.jnj.com/connect/about-jnj/views-positions.

OUR 2008 SUCCESSES

SOCIETY

- Began disclosing, on our operating company websites, grants for professional education and charitable contributions made by our U.S. pharmaceutical companies. Our U.S. medical devices and diagnostics companies followed in 2009.
- Signed a royalty-free license agreement with Emcure, a generic drug manufacturer in India, to register, package and distribute our HIV/AIDS medicine, darunavir (known as PREZISTA® in many markets) under Emcure's trade name in many least-developed markets at a substantially lower price than developed-world prices.
- Implemented new sales and marketing codes in the U.S. pharmaceuticals and medical devices and diagnostics businesses. Also established new direct-to-consumer communications codes in these businesses.¹
- Gave more than 156,000 needy patients in the U.S. more than 878,000 units of our prescription medicines without charge through our Patient Assistance Program.
- Among our many contributions programs, worked with humanitarian relief partners to provide health care services and clean water to displaced people in Darfur, Sudan; provided medical mission packs in support of medical missions under the direction of MAP International; and supported more than 100 HIV/AIDS philanthropy programs in over 50 countries.

ENVIRONMENT

- Reduced carbon dioxide emissions at all company-owned facilities as well as larger leased facilities by 9 percent on an absolute basis when compared to 1990, while worldwide sales rose by more than 400 percent.
- Obtained 34 percent of the electricity used by our companies from renewable resources.
- Reduced hazardous and non-hazardous waste generation in our company-owned facilities by 16 percent from 2005–2008.
- Amassed more than 2,100 hybrid vehicles in our U.S.-based fleet, making ours the top commercial hybrid fleet in the United States.
- Developed a new product lifecycle, designed to help our companies identify ways to green their products.

¹ For details, see www.jnj.com/connect/about-jnj/views-positions/sales/.

BUSINESS

- Delivered on our economic commitments and finished the year as the third-best-performing stock in the Dow Jones Industrial Average, despite increased generic competition worldwide, patent expirations and some of the most challenging global economic conditions in 80 years.
- Completed the successful acquisitions of HealthMedia, Inc. and Human Performance Institute, Inc., which deliver unique technologies in the growing areas of wellness and prevention; Mentor Corporation, a leading supplier of medical products for the global aesthetic market; and Omrix Biopharmaceuticals, Inc., a company focused on the hemostasis market.
- Streamlined our cost structure, generating \$1.6 billion in annual savings in just our pharmaceutical and Cordis Inc. businesses. And we are on track to realize \$500 million to \$600 million in synergies from the Pfizer Consumer Healthcare acquisition.
- Repurchased more than \$8.1 billion of Johnson & Johnson stock.
- Invested \$7.6 billion in research & development, yielding strong pipeline results, including five filings and two drug approvals.
- Sponsored the 2008 Beijing Olympic and Paralympic Game as an Official Partner of the Games, a worldwide partner of the International Olympic Committee and the Official Health Care Products Partner of National Olympic Committees in more than 200 countries.
- Was an originating partner, together with the American Medical Association and others, in developing the Health Care Notification Network, which provides U.S. doctors with rapid electronic versions of FDA-required patient safety alerts.

OUR CHALLENGES

SOCIETY

- Continue to extend our ethical, quality and corporate citizenship standards to our external suppliers.
- Expand our transparency initiatives in multiple domains while maintaining the benefits of our decentralized business model.
- Maintain and enhance our citizenship and social responsibility activities despite challenging global economic conditions.
- Build on our foundation of strong partnerships and collaborations to develop and make available new treatments for diseases prevalent in the developing world.
- Continue to implement mechanisms to address contractor safety.

ENVIRONMENT

- Continue to achieve carbon dioxide reductions in our company-owned facilities as our business grows.
- Assess and manage potential risks of pharmaceuticals and personal care products to the environment.

BUSINESS

- Drive new growth from existing businesses and new ventures, and expand our global reach despite a difficult worldwide economy.
- Reduce the risk to patients and consumers from growing counterfeit activity in many countries.
- Protect our intellectual property rights despite increasing challenges both in the marketplace and at a policy level.
- Overcome scientific and regulatory challenges to sustain the productivity of research and development.
- Collaborate with others in countries around the world to drive meaningful health care reform that will enhance access and reward innovation.

Citizenship Overview

Caring for the world, one person at a time ... inspires and unites the people of Johnson & Johnson. We embrace research and science, bringing innovative ideas, products and services to advance the health and well-being of people around the world. Our 118,700 employees at more than 250 Johnson & Johnson companies work with partners in health care to touch the lives of over a billion people every day, throughout the world.

WHO WE ARE

We are a family of companies consisting of more than 250 operating companies in 57 countries.

We sell products throughout the world and had \$63.7 billion in worldwide sales in 2008 (\$32.3 billion from U.S. companies and \$31.4 billion from international companies).

Our sales are in three business segments: consumer, pharmaceutical, and medical devices & diagnostics.

Our investments in research and development were \$7.6 billion in 2008.

We have been listed on the New York Stock Exchange since 1944 under the symbol JNJ.

Our worldwide headquarters are in New Brunswick, New Jersey, USA.

We are guided in everything we do by Our Credo, a management document authored more than 65 years ago by Robert Wood Johnson, chairman from 1932 to 1963, and by four strategic principles: to be broadly based in human health care; to follow a decentralized management approach; to manage for the long term; and to focus on people and values. These principles drive us to find the best possible solutions to today's most pressing health care needs.

GOVERNANCE

Employees, officers and directors of Johnson & Johnson are committed to the ethical principles embodied in Our Credo and to its supporting policies, guidelines and standards.

Principles of Corporate Governance, adopted in 2006, apply to directors and senior management, whose ethical character, integrity and values are the most important safeguard of corporate governance. These principals lay out, among other things, the processes in place for the highest governance body to make sure conflicts of interest are avoided, accurate and timely

information is available, and sufficient time and resources and unrestricted access to management are provided in a way that ensures the business judgment of the Board is exercised independently and in the long-term interests of our shareholders.

Additionally, our *Policy on Business Conduct* sets expectations for compliance with all laws and regulations governing our company's behavior, including in areas of employment, environment, relationships with health care practitioners, financial reporting and political contributions. This policy covers all employees, and all senior management members attest to adherence annually (including the chief executive officer, chief financial officer and controller).

The *Policy on Business Conduct* meets requirements of the SEC rules promulgated under Section 406 of the Sarbanes-Oxley Act of 2002. In addition, the Company has adopted a *Code of Business Conduct & Ethics for Members of the Board of Directors and Executive Officers*.¹

STRUCTURE

William C. Weldon is Chairman, Board of Directors, and Chief Executive Officer, Johnson & Johnson. Our Board of Directors meet a set of General Criteria and are elected to the Board by our shareholders each year. We currently have 10 Board members, nine of whom are "independent" under the rules of the New York Stock Exchange.

The Johnson & Johnson Board of Directors holds the ultimate authority of the Company, except to the extent that shareholders are granted certain powers under the Company's Certificate of Incorporation and By-Laws.

The Board appoints senior management, who are responsible for conducting business and operations; provides oversight of

¹ For more information, see www.investor.jnj.com/governance/policies.cfm.

management; and forms standing Board Committees to assist in fulfilling its obligations.²

The Executive Committee of Johnson & Johnson is the principal management group responsible for the operations and allocation of Company resources. In addition, certain Executive Committee members serve as Worldwide Chairmen of Group Operating Committees, which comprise managers who represent key operations within the Group, as well as management expertise in other specialized functions. These committees oversee and coordinate the activities of the Consumer, Pharmaceuticals and Medical Devices and Diagnostics business segments. Each subsidiary within the business segments is, with some exceptions, managed by citizens of the country where it is located.

There are six standing committees of the Board of Directors: the Audit Committee, the Compensation & Benefits Committee, the Nominating & Corporate Governance Committee, the Finance Committee, the Public Policy Advisory Committee, and the Science & Technology Advisory Committee.

The Public Policy Advisory Committee (PPAC) is the primary link to the Board of Directors for reviewing and making recommendations regarding public policy issues facing the company, public health issues, the health and safety of employees and the environment. The PPAC comprises independent Directors, the Company General Counsel and Vice Presidents for Corporate Affairs, Government Affairs & Policy and Worldwide Operations.

Our governance structure also includes Corporate Internal Audit; an independent auditor, Pricewaterhouse Coopers, LLP;

² For a complete list of our Board of Directors, see www.investor.jnj.com/governance/committee.cfm.

the Audit Committee of our Board of Directors; and regular review of business results by our Executive Committee.³

WHAT WE DO

The operating companies of Johnson & Johnson are organized into three business segments: Consumer, Pharmaceuticals and Medical Devices and Diagnostics.

More information about our products, and products by company, is available on jnj.com under Our Products. A listing of subsidiaries as of December 2008 can be found in our 10-K Annual Report, available on our website.⁴

CONSUMER

Products from our Consumer companies stand at the ready to improve the quality of everyday life. We offer products for

³For more information on our Corporate Governance, see www.investor.jnj.com/governance.

⁴See www.investor.jnj.com/governance/sec-filings.cfm.

and information about baby care, skin and hair care, oral care, nutritionals, pain relief, topical care and much more. Creating meaningful innovation in health care within the Consumer business franchise relies on a research strategy equally rooted in technology and consumer insights, in keeping with our vision: *Bringing Science to the Art of Healthy Living*.

PHARMACEUTICALS

Our Pharmaceutical companies develop prescription medicines that treat many of the world's most serious and prevalent medical conditions. These include Alzheimer's, anemia, autoimmune disorders (such as rheumatoid arthritis and psoriasis), cancer, cardiovascular disease, schizophrenia, epilepsy, infectious disease, migraine and pain. In 2008, we invested \$5.0 billion in pharmaceutical research for new medicines

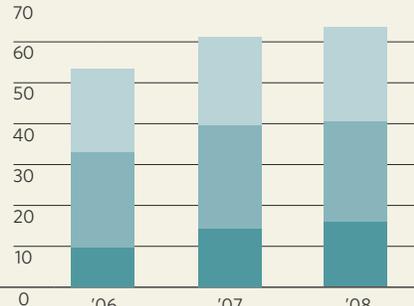


EMPLOYEES AS CUSTOMERS Our employees are among the mothers, fathers and others who use our products. Arti Kalyanpur is at the register while Brian Meltzer looks around the company store at Johnson & Johnson world headquarters in New Brunswick, New Jersey.

Sales by Segment

(in billions of dollars)

- Consumer
- Pharmaceuticals
- Medical Devices & Diagnostics

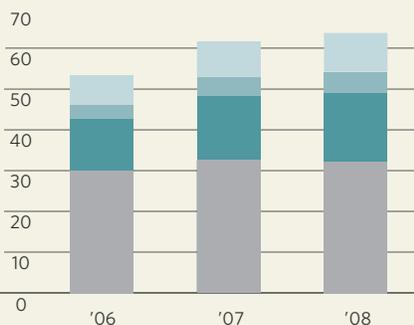


The five-year compound annual growth rates for worldwide, U.S. and international sales were 8.8%, 5.0% and 13.6%, respectively. The 10-year compound annual growth rates for worldwide, U.S. and international sales were 10.3%, 9.6% and 11.2%, respectively.

Sales by Geographic Region

(in billions of dollars)

- U.S.
- Europe
- Western Hemisphere excluding U.S.
- Asia Pacific, Africa



All international geographic regions experienced sales growth during 2008, consisting of 7.3% in Europe, 10.5% in the Western Hemisphere (excluding the U.S.) and 13.9% in the Asia-Pacific, Africa regions. These increases include the impact of currency fluctuations between the U.S. dollar and foreign currencies, which had positive impacts of 5.5% in Europe, 2.8% in the Western Hemisphere (excluding the U.S.) and 5.5% in the Asia-Pacific, Africa region. In 2008, 2007 and 2006, the Company did not have a customer that represented 10% or more of total consolidated revenues.

to treat these and many other conditions.

MEDICAL DEVICES & DIAGNOSTICS

Our Medical Devices & Diagnostics businesses provide doctors, nurses and hospitals with the medical technologies they need to restore the joys of life to people who suffer from some of the world's most pervasive and chronic conditions.

STAKEHOLDER ENGAGEMENT

Johnson & Johnson engages with a broad range of external and internal stakeholders on health, health care, business, economic, workplace, policy, social and environmental issues. We try to reflect the guidance and wisdom of these diverse groups as appropriate in our actions and our policies. In 2009, we will increase our efforts to gather information and engage with many of our stakeholders.

COMMUNITY

As health care continues to be a focus of policy discussions in the U.S. and around the world, many stakeholders have asked Johnson & Johnson to share

our perspective on what it takes to achieve effective and compassionate health care for all people. In early 2008, we developed a short document called *The Promise of Health Care*. In doing so, we talked with patient and physician groups, public and private payers, hospitals and academic centers, nongovernmental organizations (NGOs), government officials, academics, socially responsible institutional investors and others.

We continue to solicit feed-back from these and other groups on this and many other topics. For example, in developing our access program for our HIV medicines, we conducted extensive outreach with dozens of organizations and leaders in the HIV and global health fields. Their thoughts help us continue to grow and evolve both our access and philanthropy programs in global health.

Our Corporate Contributions group also periodically consults with NGO partners and key stakeholders in social responsibility to ensure that our programs and collaborations are effective and relevant.

In another example, our *Healthy Planet 2010* goals

were informed by and set only after extensive dialogue with representatives from NGOs, industry, socially responsible institutional investors, academia and governments in the United States and Europe.

CUSTOMERS

Customer feedback is a critical part of any successful business, and no more so than in the consumer and health care industries. Health is the most personal of issues, and as a health care company, we have an abiding obligation to listen to those who use or prescribe our products. Our operating companies use market research, customer contact centers, marketing partners and many other means to dialogue with customers. In addition, increasing numbers of our businesses engage in or support social networking related to health and wellness topics. This includes BABYCENTER⁵, Children with Diabetes⁶, Diabetes Juvenil⁷, the VISTAKON[®] ACUMINDER[™] and the “ADHD Moms” group on Facebook[®].

At the corporate level, Johnson & Johnson launched the Kilmer House blog in 2006

⁵ babycenter.com
⁶ childrenwithdiabetes.com
⁷ diabetesjuvenil.com



COMMUNITY AND WORK Matthew Johnson is one of many employees who find ways to use the skills they draw on at work to serve their community. Johnson is a mentor to junior colleagues as well as local college students. As an active member of a Johnson & Johnson-sponsored affinity group, he also regularly volunteers in his community.

and the blog JNJ BTW (By The Way) in 2007. More internal contributors were brought to BTW in 2008 to increase its breadth of topics.

EMPLOYEES

One of the most important opportunities to hear from our employees is the biannual Credo survey. The most recent one was completed in 2007, with more than 90 percent of employees

responding. Each operating company receives individual results and develops an action plan to address them.

On an ongoing basis, employees of the Johnson & Johnson Family of Companies can call an Employee Hotline or log on to an Employee Hotline Website operated by Global Compliance Services, Inc. to report concerns. Details are collected confidentially, and a summary report is sent to Johnson & Johnson Corporate Internal Audit. Reports are forwarded to the appropriate company or corporate staff for investigation and resolution.

SHAREHOLDERS

We welcome the perspectives of our shareholders on a broad range of issues both formally, through the shareholder proposal process, and informally throughout the year. We meet with shareholder groups on matters of interest and make every effort to respond to letters and other inquiries from shareholders. Shareholders may offer proposals by submitting them to the Company by

the announced deadline. Proposals and other items of business should be directed to the Secretary at the principal office of the Company, One Johnson & Johnson Plaza, New Brunswick, New Jersey 08933.

TRANSPARENT & ETHICAL BEHAVIOR

Johnson & Johnson is known the world over for innovative, life-saving medical products and for the values we embrace in making these products available to serve patient needs. Our Credo communicates our commitment to putting patients first. Our *Policy on Business Conduct* and *Health Care Compliance Guidelines* require that employees conduct company business with the highest ethical standards.⁸

Our *Health Care Compliance Guidelines*, like the laws and industry codes they reflect, are intended to serve patients by safeguarding medical decision-making from both the appearance and the fact of undue and improper financial influence. In addition, we have numerous other policies aimed at ensuring the ethical behavior of our businesses. See our website for more information.⁹

We know that transparency is growing in importance to many of our stakeholders, and we are committed to providing open and accurate information. As part of our environmental goals, each facility provides information on its environmental program via a link on our website. Our U.S. pharmaceuticals, medical devices and diagnostics companies also register our clinical trials and provide results of adequately designed and well-controlled studies, regardless of their outcome, online.

Information on our support for professional medical

⁸ These documents are available on our website at www.jnj.com/connect/about-jnj/views-positions/sales/.
⁹ www.jnj.com/connect/about-jnj/views-positions/business-practices/

WORKING SAFELY Special equipment such as this Isolator helps employees like associate scientist Mary Kate Burd stay safe when working with chemicals.



education and charitable contributions made by our pharmaceutical, medical devices and diagnostics operating companies is also available online.

Johnson & Johnson is also a supporter of the U.S. Physician Payment Sunshine Act, which would require disclosure of payments made to physicians by companies. (See page 10 for details.)

PUBLIC POLICY

Johnson & Johnson engages on a broad range of public policy issues, including policies affecting health care, business, the economy and the environment.

In the U.S., we have advocated for passage of the State Children’s Health Insurance Program, and we support a strong and healthy Food and Drug Administration; enhancing health care access for the uninsured; preserving and creating jobs and enhancing infrastructure under the U.S. stimulus bill; and disclosing funding to physicians. We also support issues including patent reform, liability reform, health care reform, incentives for programs in wellness and prevention, a pathway to license biosimilar medicines, and enhanced comparative effectiveness research. Around



FRESH AIR AND FRESH PERSPECTIVES Colleagues like Ai Ling Han, Phil Crowley and Steve Santos (from left) walk and talk on campus.

the world we consistently lobby for enhancements to health care systems that align with our policy positions, as outlined in *The Promise of Health Care*.

In the European Union, Johnson & Johnson has registered with the European Commission’s European Transparency Initiative to establish a code of conduct for lobbying with EU institutions. We also monitor and engage on a range of emerging scientific issues and have

supported climate change legislation to reduce greenhouse gases and regulatory approaches to green chemistry product stewardship.

Johnson & Johnson also works in collaboration with many coalitions and partnerships to advance good public policy. A few of the groups in which we participate include the Healthcare Leadership Council, the Rand Compare project, the CEO Cancer Gold Standard™, the Partnership to Fight Chronic Disease, The Better Way, The 21st Century Coalition for Patent Reform, The Climate Group, the World Resources Institute, the World Wildlife Fund’s Climate Savers program, the Carbon Disclosure Project and the U.S. Climate Action Partnership. In the European Union, Johnson & Johnson works with the European Justice Forum, the European Policy Centre, the Centre for Health Ethics in Society and the European Health Leadership Programme at the INSEAD Business School in Fontainebleau, France, and CSR Europe.

Johnson & Johnson also

issues letters of support on important policy issues before governments. For example, we sent letters to U.S. Congressmen to recommend a tax credit for renewable energy; to Senate leaders to support disclosure of payments that companies make to physicians; and to leaders of other countries supporting greenhouse-gas reductions. We were also a signatory to the “Bali Communiqué,” supporting action on climate change.

Other organizations with which we are affiliated through memberships, partnerships or sponsorships include the World Wildlife Fund, The U.S. Climate Action Partnership, The Conservation Fund, The Trust for Public Land, Wilderness Society, SafeKids Worldwide®, TogetherRx and the Partnership for Prescription Assistance.

POLITICAL CONTRIBUTIONS

In the U.S., contributions of approximately \$1,108,000 were made to political parties and related institutions in 2008.¹⁰

¹⁰ A list of all U.S. political contributions, updated annually, is available at www.investor.jnj.com/governance/contributions.cfm.

SHARED VALUES At Johnson & Johnson locations around the world, employees like Robert Foster in Ireland experience a similar culture—one that’s driven by shared values as stated in Our Credo.



The Promise of Health Care

Better health care for all is a challenge facing societies around the world. Our stakeholders have asked us about the role Johnson & Johnson can play in advancing better health care for all. We look beyond our businesses for opportunities to encourage medical progress, advocate for effective health care systems, and act to improve access to health care and health care products.

Start with this simple idea: Good health care can make a significant positive difference in people's lives. But what does it take to deliver good care to all? We consulted with patient groups, physicians, our employees, policymakers and others in health care, reflecting the guidance and wisdom of these diverse groups as we set forth our views in a short document called *The Promise of Health Care*.¹

"We created *The Promise of Health Care* to express our beliefs about what is needed to improve health care," says Cliff Holland, Corporate Vice President, Government Affairs & Policy, Johnson & Johnson. "We believe the best systems are centered on the needs of individuals, offer access to health care coverage for all, and provide support to help people remain healthy, get early diagnosis and receive quality care when needed."

Importantly, *The Promise of Health Care* lays out the role of Johnson & Johnson in advancing good health care through our own actions and by working with others.

MEDICAL PROGRESS

Making the benefits of medical progress available to more people helps to improve and save lives. Better outcomes for patients often depend on new or improved treatments. Research advances have led to more accurate diagnoses, less invasive treatments, faster returns to work, shorter hospital stays, fewer medical errors, more

¹ Available at www.jnj.com/connect/about-jnj/views-positions/healthcare-systems.

convenient treatments, fewer side effects and longer lives.

Continuing investments in R&D are essential if we want tomorrow's care to be even better. Because research is risky, expensive and takes many years, it's critical that companies conducting medical research operate in an environment that appreciates and rewards the investments they make.

We have an important responsibility to identify sustainable ways to help improve health care.

Robust intellectual property (IP) laws protect future medical advancement. In health care, IP protection—in the form of patents—guarantees the owner a set period of time to recoup research and development costs and realize a profit. In return, the owners have an obligation to make information about the patented product available to the public. Other researchers can then access this information to pursue new research and eventually create even more advances.

Many developing countries face public health crises. For example, malaria, tuberculosis and HIV/AIDS are devastating pandemics with enormous impacts around the world. Solving these important issues requires the engagement of many parts of society. It is important that laws protect

intellectual property and data, but it is also important that these necessary protections not get in the way of providing access to people who are unable to pay for care. We believe that intellectual property should not be a barrier to access and that the best solution is for companies to work with local governments to develop differential pricing approaches that protect IP as a driver of innovation while helping all countries meet their populations' increasing demand for health care. (See related story on page 30.)

Medical progress depends on appropriate ways to evaluate the effectiveness of new treatments and adequate and fair reimbursement. Evidence-based medicine (EBM) is a growing trend in health care. In EBM, experts compare the available clinical evidence for various treatments that may be used in a particular disease, determine the best standard of care based on the comparison, and apply that standard to the care of patients. EBM aims to help health care providers decide who should get which treatment and under what circumstances.²

Transparent and efficient regulatory and approval processes are also critical to medical progress, and strong and well-respected regulatory authorities are a feature of effective health care systems. Regulatory bodies look at the scientific evidence a company develops about a product, weigh the benefits of the product against its risks, and decide whether that product can be made available for use or prescribed for patients. We believe that strong, well-funded, effective, scientifically advanced, consistent and transparent regulatory review systems are essential to protect public health and build confidence in medical products. We support strengthening regulatory agencies so that they have the expertise, resources and tools to effectively evaluate new scientific advances.

HELP TO SHAPE EFFECTIVE HEALTH CARE SYSTEMS

We recognize that all members of the health care community must collaborate to advance good health. In addition to using our broad scientific knowledge to develop new medical advances, we have an important responsibility to identify sustainable ways to help improve health care. The scope of our

² For our view on how EBM should be applied, see www.jnj.com/connect/about-jnj/views-positions/medical-progress.



A PROMISE FROM LIFE'S FIRST BREATH Through our businesses, the products we discover and our global philanthropy, we touch the lives of millions of people daily and help health care systems around the world deliver the promise of health care. One example, the Neonatal Resuscitation Program, is a powerful partnership between the Chinese Ministry of Health and the Johnson & Johnson Pediatric Institute, LLC that trains nurses to save the lives of babies who fail to breathe on their own at birth. Read more at jnj.com/ourstories.

actions around the world is wide: It includes supporting health care reforms that put the individual at the center; helping others develop effective prevention programs based on our own experience in employee health; and developing educational programs that help build capacity and enable health care practitioners and government health and hospital administrators to upgrade their skills. We join in coalitions or other engagements with governments and policymakers to advocate for policies that will bring better health care to all.

ADVANCE GOOD HEALTH THROUGH OUR ACTIONS

We also focus on enhancing access to health care and health care products so that people across all economic and social circumstances

have access to the treatments they need. We do this in many ways:

- We have a global access program for our HIV/AIDS medication, and we provide medicines and other products to people around the world through our product-giving and disaster-relief programs. (See page 30 for details.)
- Our companies operate major patient-assistance programs that provide donated medicine, discounts and other support to patients in the United States and Puerto Rico. (See page 3 for details.)
- We support public policy efforts to enhance basic health service coverage for limited-income and uninsured people, such as the State Children's Health Insurance Program in the United States.
- We also work closely with governments,

health leaders, local and global nongovernmental organizations, and others throughout the world to help people access the health care products they need.

Once a person is ill, access to care is paramount, but for those who are well, the key to continued health is prevention. From helping employees lead healthier lifestyles through our Health & Wellness programs to reducing preventable childhood injuries through the Safe Kids Worldwide® initiative, our programs help people get and stay healthy. We also provide broad health, disease and prevention information so people can understand and communicate with their doctors and play an active role in better managing their health.

In the Interest of Our Patients

At Johnson & Johnson, we believe that health care is an extraordinary personal business that calls for responsible, ethical behavior. We put the needs of our patients first as we act according to our policies, the laws of the countries where we do business and applicable industry codes of behavior.

Responsible, ethical behavior applied throughout the health care industry is essential to ensure the best interests of patients. Since 1943, when General Robert Wood Johnson wrote the first words of Our Credo, Johnson & Johnson employees have had a clear directive: to always put the needs of our customers first.

“Our Credo presents for us the idea that doing what’s right for customers, employees and communities leads to what’s right for stockholders,” says Russ Deyo, Vice President, General Counsel,

Johnson & Johnson recognizes that societal norms and expectations evolve, and we are continually reviewing our policies with an eye toward evolving standards and stakeholder feedback.

Johnson & Johnson. “This sense of shared values is an important part of how we do business in a responsible, ethical way.”

People who work at Johnson & Johnson and our operating companies must act according to the laws of the countries where we do business and comply with applicable industry codes of behavior. Beyond that, guidance comes from Our Credo, our *Policy on Business Conduct* and our many cross-organizational compliance standards and policies, as well as operating company policies that may relate to specific matters relevant to individual companies. Johnson & Johnson recognizes that societal norms and expectations evolve, and we are continually reviewing our policies

with an eye toward evolving standards and stakeholder feedback.

Focusing on health care compliance, our guidances govern how we develop, manufacture, seek approval for, sell and market our health care products around the world. We formed a Corporate Compliance Committee in 2007 to provide an additional level of oversight for all health care compliance activities and to build on the experience of our financial, environmental and regulatory compliance efforts. Issues are discussed and, if necessary, raised to the Board of Directors and its Audit Committee and Public Policy Advisory Committee.

RESEARCH & DEVELOPMENT

Johnson & Johnson companies conduct clinical trials in more than 40 countries to allow for wide representation of ethnic and cultural diversity. Our operating companies are required to follow the Declaration of Helsinki and the Belmont Report, which set clear guidelines for the ethical treatment of patients across borders. In addition, we are guided by *Our Ethical Code for the Conduct of Research and Development*.¹ Clinical trials performed by our pharmaceuticals, medical devices and diagnostics, and consumer medicines businesses must adhere to all relevant statutes as well as our policies for registering and reporting company-sponsored clinical studies.

Our operating companies also take steps to ensure that the medical community has access to the best information about our products. We provide the results of adequately designed and well-controlled

¹ This code and our other policies and positions related to conducting clinical trials can be found at www.jnj.com/connect/about-jnj/views-positions/new-products/.



clinical studies, regardless of their outcome, in professional journals or on websites, including www.clinicaltrials.gov. Our clinical trial disclosure policies also reflect the requirements of the Food and Drug Administration Amendments Act of 2007 (FDAAA or U.S. Public Law 110-85), which requires mandatory registration and results reporting for certain trials of drugs, biologics and devices.

PROFESSIONAL EDUCATION

We recognize the ethical responsibility and need to support health care professionals in their pursuit of the most current education so they can provide the best patient care possible. In the U.S., doctors are required to continue their medical education throughout their practicing lives. Medical specialty societies, academic institutions and other groups that provide medical education often look to health care companies to support their education programs. We believe this is an important way to advance medicine and health care, and our companies are expected to follow a set process when making educational grants.

Our Continuing Medical Education (CME) grants follow applicable codes and regulations. In the U.S., our pharmaceuticals and medical devices and diagnostics companies adhere to requirements of the



AdvaMed Code of Ethics on Interactions with Health Care Professionals and the PhRMA Code on Interactions with Healthcare Professionals, including updates that took effect in January 2009.

RELATIONSHIPS WITH PHYSICIANS

We are proud of the advances that result from collaborations between physicians and our operating companies. Yet we believe it is important that all participants in health care guard against potential conflicts of interest. Thoughtful policies, strong compliance safeguards and disclosure all help. Johnson & Johnson has been a strong and early supporter of greater transparency regarding payments made to physicians. The company supports the Physician Payment Sunshine Act and is working with Congress on a revised version of that bill. Our U.S. pharmaceuticals and medical devices and diagnostics businesses have also committed to voluntarily disclose payments to physicians by June 2011.³

PATIENT & CONSUMER EDUCATION

Today, people want to be active participants in their health care and that of their families. We believe it's important to help people understand how to prevent illness, navigate the health care system and get the best care they can if they get sick. Our companies use many forms of communication, including educational brochures, websites and videos, as well as direct-to-consumer (DTC) advertising on television and in magazines that gives people information they can use when communicating with their doctors about the benefits and risks of treatments.

Johnson & Johnson and its operating companies have established guidelines that apply to all forms of DTC communication, and we regulate such communication by our pharmaceuticals and medical devices and diagnostics businesses.⁴

We also believe that providing information to patients in a way that enhances their health literacy is important, and we are developing training for our companies to further these efforts.

³ For more on our transparency initiatives, see www.jnj.com/connect/about-jnj/views-positions/sales/.

⁴ These principles and our processes for ensuring accountability to them are provided on our website at www.jnj.com/connect/about-jnj/views-positions/sales/.

DISCOVERING AND DEVELOPING PRODUCTS Vuyokazi Sidelo and our other scientists and professionals put the needs of our patients first. They work responsibly and ethically, driven by the idea that “the patients are waiting.”

U.S. Food and Drug Administration, the Accreditation Council for Continuing Medical Education, the American Medical Association, Pharmaceutical Research and Manufacturers of America (PhRMA), AdvaMed and other applicable industry standards. In 2009, we placed additional restrictions on CME grant-making. Also, we require our global companies to follow relevant codes and regulations for physician education, as well as guidelines governing the education of other types of health care professionals.

We also believe that disclosure of professional educational grants helps the public better understand the nature and volume of supported programs. Our U.S. pharmaceuticals, medical devices and diagnostics companies provide this information on their websites and update it quarterly. They also provide a listing of charitable contributions online.²

SALES & MARKETING

Communicating appropriately with health

² More detailed information and supporting policy statements about responsible professional education are available on our website at www.jnj.com/wps/wcm/connect/735coe804af97de9b753bf10588a2d62/educational-programs-and-material-support.pdf?MOD=AJPERES.

care professionals is essential to our ability to help improve and save lives. That's why we take many steps to ensure that we are communicating accurately, truthfully and on label at all times.

Our policies for responsible selling, marketing and interacting with health professionals are based on three principles: Medical decision-making must be kept free of improper company influence; regulated products must be promoted lawfully; and, in the United States, pricing information must be disclosed accurately to assure appropriate reimbursement.

Each Johnson & Johnson operating company around the world is required to have an effective compliance program in place that includes written policies and procedures for complying with standards; a designated compliance officer and committee; effective training and education for employees; effective lines of communication; internal monitoring and auditing procedures; enforcement of standards through disciplinary guidelines; a prompt response to detected problems and procedures for carrying out corrective action.

In addition, we follow the voluntary

Social Performance

MANAGEMENT OVERVIEW

Our social performance is guided by Our Credo as well as numerous social policies and the systems and procedures that implement them, both within our company and beyond. The following pages provide a sampling of our policies, goals and performance, and the mechanisms we use to manage the social aspects of our business. While there are many ways to consider these issues, we have divided these topics into three broad categories: Social Obligations to Our Patients and Customers, Social Obligations to Our Employees, and Social Obligations to Our Communities.¹ In addition to the topics discussed on pages 8 through 11, here are other aspects of our social performance in 2008.

OUR PATIENTS & CUSTOMERS

DISCOVERING AND DEVELOPING PRODUCTS

From theory to therapy, discovery to commercialization, our research and development teams adhere to the highest ethical standards in the work that's conducted in our laboratories, as well as in our clinical research with people. We seek to operate our businesses in alignment with societal norms and in accordance with accepted international standards for scientific work (see "In the Interest of Our Patients," page 10). In recent years, interest in the scientific and

laboratory activities of health care companies, particularly as they relate to the use of animals and stem cells in medical research, has increased, and we understand and respect those interests.

ANIMAL WELFARE

In 2008, we began updating our *Policy on the Humane Care and Use of Laboratory Research Animals* to include additional regulations and guidance regarding animal welfare. It is the policy of the Johnson & Johnson Family of Companies to use animals in laboratory research to the minimum extent necessary to assess the safety and efficacy of our products for use in humans and animals. Although in vitro systems have contributed to reducing animal use, they cannot currently obviate the need for animal studies.

Nonetheless, Johnson & Johnson companies are committed to the three "R" principles—*replacement*, *reduction* and *refinement*—as they apply to animal testing. We do not conduct animal testing on our personal care products, nor do we ask others to test on our behalf, except when required by law or regulation. We comply globally with requirements of the EU ban on animal testing for cosmetics.²

STEM CELLS

Human stem cells are immature cells with the potential to give rise in the laboratory to virtually any cell type. As a research tool,

stem cells promise to expand understanding of diseases as well as normal body processes. In recognition of the potential importance of human stem cells for medical advances, our Committee on Human Stem Cell Research has established guidelines to govern consideration of the use of stem cells in research funded or conducted by Johnson & Johnson and its affiliated companies.²

Our social performance is guided by Our Credo as well as numerous social policies and the systems and procedures that implement them, both within our company and beyond.

INGREDIENT SAFETY

Our companies buy and manufacture an array of raw materials, active ingredients, packaging components and other supplies to make our finished products. The safety and quality of these materials is critical to the success of the final products and to protecting customers. Our companies conduct quality evaluations before using raw materials, and we hold our suppliers to our high standards of material safety and quality.³

PRODUCT SAFETY

Every product we sell must meet our high standards of quality, safety and efficacy, and our products are assessed for

health and safety improvements at each major stage of their lifecycle. Our professionals from a variety of scientific backgrounds conduct assessments as part of detailed quality, safety and effectiveness tests before any new product is introduced.

Further testing of finished products is done to ensure products work as intended. Our companies continue to assess their products after they reach the market to identify any safety issues. Procedures for immediate "field action" are in place to handle problems, if found. Additionally, our operating companies employ a variety of mechanisms to measure customer satisfaction, including surveys, website interactions, focus groups and patient advisory groups.

GENETICALLY MODIFIED ORGANISMS

Concerns have been raised regarding the use of genetically modified organisms (GMO). This technology—the ability to alter the genetic makeup of cells—has led to medical advances. Our biopharmaceutical companies work closely with regulatory authorities around the world to ensure that appropriate standards and controls are in place when these technologies are used.

NANOTECHNOLOGY

Nanotechnology is a more recent development, involving very tiny materials. Some people have raised concerns about the safety of nanotechnology. Nanotechnology offers the potential to develop improved medicines, medical devices and personal care products such as shampoos, body washes, sunscreens and cosmetics. We participate in nanotechnology scientific forums, monitor regulatory developments,

¹For more information on our social policies, positions and programs, visit www.jnj.com.

²For more information, see www.jnj.com/connect/about-jnj/views-positions/new-products.

³For more information, see www.jnj.com/connect/about-jnj/views-positions/product-safety.



PRODUCT SAFETY Employees like Nilesh Patel, with Johnson & Johnson Pharmaceutical Services in the United States, perform quality, safety and effectiveness tests during research and development, one of the product lifecycle stages where product safety is assessed.

research the environmental impact of nano-sized particles, investigate product safety and develop advanced protective methods for working with nano-sized materials.⁴

ANTI-COUNTERFEITING

Johnson & Johnson launched a Global Brand Protection group in 2007 and held our first Global Brand Protection Summit in 2008 to examine the scope of criminal counterfeiting activity, its impact on business and how best to address these risks.

All prescription drug products have anti-counterfeiting features, and this drives the effort to continually evaluate new technologies and tools to protect patients who use Johnson & Johnson products. We also conduct

⁴ For more details on our positions related to GMO and nanotechnology, see www.jnj.com/connect/about-jnj/positions-product-safety/.

⁵ For further information, see Anti-Counterfeiting Measures at www.jnj.com/connect/about-jnj/positions-product-safety/.

training for those who handle and sell our products, to facilitate early identification of potential risks.⁵

ACCESS TO OUR PRODUCTS

Access to health care is at the forefront of public policy discussions these days, and it is a topic about which we care deeply. (See “The Promise of Health Care” on page 8 and “Distributing Hope & Help” on page 30 for more information, or visit www.jnj.com.)

OUR EMPLOYEES, CONTRACTORS & PARTNERS

Our workforce statistics, retention rates and salary information are currently tracked at the operating company level only. In 2009 we are implementing a new data management system to allow us to capture this information in a concise way enterprise-wide. Regarding minimum notice periods for significant operational changes, Johnson & Johnson at

a minimum complies with local requirements.

DIVERSITY & NONDISCRIMINATION

Our Global Office of Diversity and Inclusion works to attract, retain and develop a diverse workforce, guided by our Global Diversity and Inclusion Vision.⁶ In 2008 we established diversity councils to assist in more strategic alignment of our business sectors, and going forward our focus will be on strengthening internal communication around diversity.

AFFINITY GROUPS

Initiated and driven by employees, affinity groups around the Company provide an open forum for idea exchange and action, as well as an opportunity to strengthen linkages to and within our diverse communities. In 2008, nine affinity groups were active within the Johnson & Johnson Family of Companies.⁷

ADVANCEMENT OF WOMEN

Launched in 1995, the Women’s Leadership Initiative (WLI) grew out of a longstanding commitment to programs that increase the diversity of our workforce. The WLI seeks to align with, define and enhance the policies that will attract, develop and retain talented women. In 2008, support continued for our WLI-sponsored development programs, and we expanded and strengthened the WLI at the chapter level.

BENEFITS

Johnson & Johnson knows that benefits are critical in attracting and retaining our workforce. Highly competitive benefits are provided to full-time employees, as well as active salaried or

⁶ See www.jnj.com/connect/about-jnj/diversity/programs.

⁷ See www.jnj.com/connect/about-jnj/diversity/programs.

non-union hourly regular or casual part-time employees who are regularly scheduled to work 19 or more hours per week each year, and active full-time temporary extended salaried or non-union hourly employees. Benefits provided to union employees are negotiated per contract.

PERFORMANCE MANAGEMENT

Performance management is handled at the individual company or franchise level; data relating to performance management is not currently collected at the enterprise level. However, in 2009 we are implementing an upgrade to our data collection and management processes that will enable us to compile this information at the enterprise level going forward.

TALENT MANAGEMENT & TRAINING

The skill and career advancement of our workforce is critical to the success of both our individual employees and Johnson & Johnson. We offer on-the-job training supplemented by extensive, globally accessible training and development resources. Offerings are provided at the individual, team, organizational and leadership levels and include leadership development and management education and development programs.

Our School of Personal and Professional Development and our eUniversity are available online to all employees and contain eLearning and classroom courses to support training and development needs. Individual career development goals, supported by a global career step curriculum, are set and tracked through our Global Learning Management System. External educational development is supported through our Educational Assistance program.

Training hours are provided,

tracked and documented by the individual operating companies. Minimum training requirements are established according to the individual role, and an average of eight hours or more of training per employee is provided per year.

CONTRACTOR MANAGEMENT

Our occupational safety program includes systems to protect contract workers at our facilities. Nonetheless, over the past two years, we experienced several contractor incidents that resulted in serious injury and one death in 2007. As a result, we are giving heightened attention to contractor safety throughout our operations and Environmental Health Safety (EHS) organizations. In April, the Worldwide Operations Council responded to a significant rise in the number and severity of contractor- and machine-related injuries by calling for a worldwide *Safety Time-Out!*—a pause in our operations to reflect on where the next accident might occur and prevent it before it happens.

A key component of the *Safety Time-Out!* was employee engagement. Operations leadership used this opportunity

to encourage dialogue on challenges that are impacting safety on the plant floor, during construction and maintenance activities, and in our laboratories. In addition, our *Contractor Management* standard has been revised. It ensures that contractors are sufficiently qualified and competent to do the tasks they are hired to do, and that the qualifications required for each job are clearly delineated.

We have also identified new contractor metrics that will be tracked going forward; the percentage of projects in which there was an assessment of EHS risks prior to contractor selection; and level of contractor engagement. This program was designed and piloted in 2008, and it is being fully deployed in 2009.

EMPLOYEE HEALTH AND WELLNESS

As the largest health care company in the world, Johnson & Johnson is dedicated to promoting the health of its employees and their families, and the communities in which they work. From the 1978 inception of the LIVE FOR LIFE program to present-day

efforts to create and sustain a global culture of health, Johnson & Johnson Global Health Services initiatives have been recognized as a key component of the Company's social responsibility and sustainability. Our goal is to create a more productive, health-conscious workforce and reduce health-related costs.

As the largest health care company in the world, Johnson & Johnson is dedicated to promoting the health of its employees and their families, and the communities in which they work.

Global Health Services works to improve and sustain employee health by providing Occupational Health services, Employee Assistance, and Wellness and Health Promotion programs that are customized according to location, culture and specific health needs. To meet this objective, Johnson & Johnson established *Healthy People 2012* goals; see our progress in the chart at left.

In 2008, as part of our health outreach efforts, our on-site occupational health clinics expanded their offerings. Under our wellness initiative, our health profile tool, which provides employees with an online health risk assessment, is now available in 11 languages, providing potential access to nearly 60 percent of employees. Other wellness programs include a *Global Tobacco-Free Workplace Policy* (implemented at 98 percent of our sites); the *HIV/AIDS Policy* (implemented at 100 percent of U.S. and Puerto Rico sites, and 83 percent globally); our EatComplete program, a healthy-eating

initiative (available at 85 percent of eligible cafeterias at our U.S. locations); and the Million Step Challenge (with more than 20,000 employees participating since 2005). Additionally, Johnson & Johnson has been accredited for three years as a member of the CEO Cancer Gold Standard™, developed to help organizations reduce the burden of cancer.⁸

A high-risk analysis of U.S. employee health profile data revealed that the top three risks in our employee population are unhealthy eating, insufficient physical activity and obesity. Since the late 1990s, we have seen risk factors declining.

Employee access to Employee Assistance Programs (EAP) has continued to expand across the globe. In 2008, EAP counselors delivered resilience skill-building training to 16,000 employees. Also in 2008, of the 100,000 employees who had access to these services, more than 10,000 utilized the expertise of mental health professionals for personal and work-related concerns and reported 98 percent satisfaction with the quality of care they received.

WORKPLACE SAFETY

Johnson & Johnson has had global workplace safety standards for over 20 years. Safety is audited by independent teams, and performance is discussed with the Public Policy Advisory Committee of the Board of Directors.

In 2007, Johnson & Johnson established *Safe People 2010* goals to reiterate our commitment to preventive programs that promote strong safety performance. This is measured by tracking injury and illness rates, such as Lost Work Day Case (LWDC) and Serious Illness and Injury Case (SIIC)

⁸For more information on these and other wellness programs, see www.jnj.com/connect/about-jnj/views-positions/good-health.

HEALTHY PEOPLE 2012 GOALS	YEAR-END 2008 RESULTS
Create, promote and sustain an organizational culture of health	75 percent of sites/companies worldwide promote 13 health services offerings. 85 percent of sites/companies offer at least five health offerings; 88 percent of U.S. sites offer all 13.
Reduce population health risk factors	More than 70 percent of employees who participated in the voluntary health screening were in the "low risk" health category. 85 percent of U.S. employees who participated in the voluntary health screening were in the "low risk" health category (outside the U.S. this was 63 percent).
Promote a consistent approach to the deployment of occupational health services and standards	More than 93 percent of periodic medical surveillance was completed on time. Process deployed. All sites with planned periodic medical surveillance exams had completed more than 93 percent on time.

INDICATOR	1995	2005	2006	2007	2008
J&J Lost Workday Case Rate Per 100 employees (Goal: <0.07)	0.31	0.06	0.07	0.08	0.10
Peer Pharmaceutical Companies Per 100 employees (average of 14 companies)	0.80	0.41	0.47	0.51	0.47

rates, which we aim to maintain at or below 2006 levels.

While our lost-workday case rate remains almost five-fold better than that of our peer benchmark group, our 2008 rate missed our goal for a few reasons. First, we changed our record-keeping guidelines to strengthen consistency in reporting across the globe. We now include all cases that are reported to the local government in several European countries, including injuries such as those associated with vehicle accidents that occur while commuting. Second, we have seen a rise in injuries associated with slips, trips and falls. Many of these are occurring in non-manufacturing settings such as during sales calls or while working in office settings. Throughout 2009, we will improve safety awareness outside our manufacturing areas with a communication campaign specific to office locations.

COMPLIANCE

We have goals for zero safety violations and zero fines. In 2008, we experienced 14 safety noncompliances, all of them minor in nature. We also incurred a \$600 fine for a safety violation at our Cordis facility in Fremont, California.

ERGONOMICS

Ergonomic injuries accounted for 20 percent of lost-workday cases in 2008, down from 33 percent in 2007 (see chart at bottom right). We continue to implement an aggressive strategy to modify high-risk tasks.

FLEET SAFETY

SAFE Fleet, our fleet-safety program, provides services to more than 36,000 employees worldwide. The company vehicle serves as a workplace

for the majority of these employees, some of whom spend as much as 60 percent of their time driving on company business. Our rate of accidents per million miles driven (APMM) has decreased by 37 percent since 1995.

In 2008, the total number of accidents worldwide and the percent of vehicles in accidents stayed relatively flat compared to 2007. However, our APMM increased to 5.56, primarily due to an increase in accidents in North America (see chart at far right). While a benchmarking exercise conducted in 2008 showed that Johnson & Johnson ranks lowest in APMM among pharmaceutical companies, we still experience more than 4,000 vehicle accidents a year. In response, we are increasing our training efforts, and in the U.S., we are categorizing drivers according to their level of risk so we can focus our efforts on high-risk drivers.

OUR COMMUNITIES

VOLUNTEERISM

The Johnson & Johnson Volunteer Support Program (VSP) was created in 1993 to support employee initiatives that embody the Johnson & Johnson Credo spirit. The VSP sponsors on-site volunteer opportunities, creates partnerships and relationships with local nonprofit organizations, coordinates volunteer days and recognizes excellence in volunteerism. Currently available only in the U.S., this program is being expanded to include retirees and employees outside the United States. We estimate that 80 percent of our U.S. employees (more than 35,000 employees) are active volunteers in their communities.



UNAMOS AL MUNDO POR LA VIDA (CARING FOR VENEZUELA'S STREET CHILDREN) Johnson & Johnson partners with this organization to educate some 3,500 children who live on the streets of Caracas each year.

OUR GIVING

Johnson & Johnson and its operating companies work to make life-changing, long-term differences in human health by targeting the world's major health-related issues and supporting philanthropic efforts through community-based partnerships. The company's efforts focus on saving and improving the lives of women and children, building health care capacity, preventing diseases and reducing stigma, and disaster relief.

Our approach is to partner with community-based organizations around the world to ensure that our giving is geographically diverse and aligned with a strategic plan. For more information on the history of our giving, visit www.kilmerhouse.com.

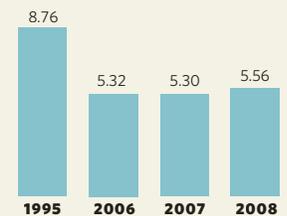
Examples from 2008 include:

BUILDING HEALTH CARE CAPACITY

This philanthropy focuses on supporting activities that

FLEET SAFETY

Rate of Accidents
Per Million Miles Driven (APMM)



address the global health care worker shortage, provide skills-based training programs for health care workers, and offer health education and development opportunities for community members.

One example of our 2008 efforts: Johnson & Johnson supported the Management Development Institute, an intensive one-week training program that enhances the management skills of health care leaders in East and West African AIDS-service organizations devoted to the care, treatment and support of people and their families living with HIV/AIDS. More than

ERGONOMIC INJURIES	2005	2006	2007	2008
% of Lost Workday Cases	21	28	33	20

240 leaders from 12 countries have graduated since 2006.

Another example is our effort to increase health literacy among Head Start parents in the U.S. Now in its eighth year, the UCLA/Johnson & Johnson Health Care Institute was created to help educate and empower Head Start parents. This successful health literacy program has trained more than 10,000 parents in 35 states—impacting nearly 20,000 children—and is continuing to impact many families and communities.

SAVING & IMPROVING LIVES

Our philanthropic efforts in this area address safe birthing and infant care, teaching life skills for young people, assisting women and children at risk for abuse and violence, disaster preparedness and relief, and providing economic empowerment.

One example of our 2008 efforts: Following the devastating earthquake that struck Sichuan Province in China in May 2008, killing more than 80,000 people and injuring hundreds of thousands more, we provided needed supplies to the area. We also partnered in a post-quake Children's Psychological Rehabilitation and Aid Program to train health workers on basic psychological intervention skills, an effort that will result in the training of 600 workers and 3,000 volunteers in the next two years.

In Europe, we have partnered with the European Child Safety Alliance, the European Commission and the Consumer Safety Institute in the Netherlands for the past nine years to address child safety issues throughout the region. Campaigns focus on safety issues in the home, such

as falls, burns and scalds. The partnership led to a European Union ban of all non-child-resistant lighters.

PREVENTING DISEASES & REDUCING STIGMA

Here we focus our philanthropy on preventing HIV/AIDS; reducing the impact of disease among the poor and underserved through product donations and produce-to-give programs; supporting hygiene and environmental stewardship; reducing the impacts of chronic disease and obesity; and supporting community interventions and family caregiving programs that reduce the institutionalization and abandonment of individuals living with chronic disease, mental illness or long-term care needs.

A 2008 highlight is our partnership in Mexico with Project HOPE and the local Neza Health District, where we promote healthy eating and exercise habits among children, and educate families and teachers on effective ways to convey positive nutritional messages to children through the "Healthy Habits for a Healthy Weight" program. The program, started in 2007, raises awareness of the connection between diabetes and obesity.

Also in 2008, we were honored by the Global Business Coalition for our philanthropic efforts and partnership with mothers2mothers (m2m). This partnership provides education for HIV-positive pregnant women in South Africa to prevent mother-to-child transmission of the disease and trains new HIV-positive mothers to mentor other HIV-positive pregnant women. Since 2005, m2m has expanded to 15 sites. In 2008, it served

more than 6,000 HIV-positive mothers-to-be.

DISASTER RELIEF

Several major disasters devastated many lives throughout the world in 2008. In keeping with Our Credo, and with help from our numerous partners, the Johnson & Johnson Family of Companies responded to 17 disasters in more than 20 locations. From civil unrest in Africa to flooding in South America to earthquakes and cyclones in Asia to hurricanes in the Caribbean and the U.S., product and monetary support assisted thousands who were affected. And following the earthquake in China's Sichuan Province, Johnson & Johnson Chairman and CEO William C. Weldon co-led the U.S. government's public-private partnership mission to China to explore long-term rebuilding efforts.

OUR SUPPLY CHAIN

MANAGING OUR SUPPLIERS

Johnson & Johnson utilizes a network of approximately 7,100 direct material suppliers to produce some of our products. Our purchasing agreements with suppliers include numerous expectations. At a minimum, suppliers are required to comply with all applicable legal requirements related to business conduct, labor and employment practices, and our *Policy on Employment of Young Persons*.

We also expect suppliers manufacturing finished products or active pharmaceutical ingredients for us to conform to a broad set of standards called our *Standards for Responsible External Manufacturing*. These further define our expectations for appropriate business conduct, labor and employment, and EHS practices. They were rolled out to over 800 external

manufacturers in 2007, and since then we have audited 35 percent of our external manufacturers against our *Standards*. Our longer-term *Healthy Planet 2010* goal is for all external manufacturers to conform to these standards by 2010.

Assessing conformance against a broad set of standards is a challenging activity requiring significant resources and expertise, especially given the breadth of our supply base. Our participation in the Pharmaceutical Supply Chain Initiative (PSCI) is an effort to gain some efficiency within the industry and to drive, through collaboration, real improvements in the supply base, especially in Asia-Pacific and Eastern Europe. We have also undertaken our own efforts to build supplier capability in EHS, sharing training content and practices with our key suppliers.

In 2008, we began reaching out to our external manufacturers to ask them to measure and manage their carbon emissions and energy use by partnering with us in the Carbon Disclosure Project's Supply Chain Leadership Collaboration. Although these efforts had limited success, it was a first step in our journey to emphasize the importance of energy conservation and reduced emissions.

GREENING THE SUPPLY CHAIN

In 2008, we recruited six new suppliers (including three diverse suppliers) into the U.S. Environmental Protection Agency's (EPA) Green Supplier Network, which educates suppliers on lean and clean manufacturing techniques. We also continued to integrate sustainable practices into core procurement processes as



SUPPORTING THOSE AFFECTED BY HIV/AIDS Fuyang AIDS Orphan Salvation Association is among more than 100 HIV/AIDS programs that Johnson & Johnson supports across 50 countries.

well as our supply chain.

For example, our Consumer segment has developed a proprietary screening process to more accurately score ingredients and products for environmental impacts. This innovative tool allows our formulators to compare ingredients for downstream environmental impact and provide suggestions for alternatives. To date, we have scored 70 percent of the chemicals used worldwide in the Consumer Group.

We also continue to evolve our supplier raw material questionnaire to include criteria that help us to assure that the

materials we use go beyond meeting safety and regulatory requirements to address key product stewardship attributes that we review.

SUPPLIER DIVERSITY

As part of our commitment to our communities, we extend our influence to encourage the values we hold internally. In 2008, Johnson & Johnson added over 100 new minority- and women-owned business suppliers, and increased our spending with these businesses by more than \$80 million, an increase of 6 percent over 2007. Johnson & Johnson

also provided support in obtaining certification, such as that offered through the National Minority Supplier Development Council, via free consulting services and training.

We also partner with groups such as the National Minority Manufacturing Institute to develop partnerships with minority- and women-owned businesses. Benchmarking efforts ensure that we continue to identify and use existing best management practices in the recruitment and development of these businesses.

HUMAN RIGHTS

Johnson & Johnson has a large international and global sourcing presence, and human rights are an issue we care about and will examine further in 2009. We know that operations conducted in some parts of the world present a risk for incidents of child labor, forced or compulsory labor, or other human rights abuses. To avoid these conditions, we have established *Global Labor and Employee Guidelines* and a *Policy on Employment of Young Persons*, which set out our expectations for employment at our own sites.

These expectations are also included in our *Standards for Responsible External Manufacturing*, mentioned on page 16. All external manufacturers are required to enter into an enforceable written agreement to comply with these policies and standards, submit to periodic inspections, and maintain the records necessary to demonstrate conformance.

POLICY ENGAGEMENT

Johnson & Johnson takes seriously our obligations to the world community. This is evidenced by many of the public positions we take and by the issues on which we engage. Examples include expanded health care access and health care reform in the U.S. and other countries (see “The Promise of Health Care,” page 8); our support for strong regulatory bodies around the world; our participation in the U.S. Climate Action Partnership; our engagement in advancing wellness and prevention; our work on the CEO Cancer Gold Standard™; our expanding work on global health with many international bodies; and our work to enhance road safety with the United Nations Road Safety Collaboration (UNRSC).

Putting Thought in a Package

Hundreds of millions of people each day throughout the world use our consumer products in their daily routines. And many more use our medicines and medical devices. What we do to reduce packaging, increase recycled content and eliminate materials of concern can have a significant impact on our earth.

Packaging plays an important role in protecting products as they are transported, stored and used. It is also critical in communicating user instructions and safety information. But natural resources are used to make and ship packaging, and after consumption of products, significant waste remains.

DESIGNING A SOLUTION

The best packaging, as defined by the Sustainable Packaging Coalition—which Johnson & Johnson has belonged to since 2005—is “sourced responsibly, designed to be effective and safe throughout its life cycle, meets market criteria for performance and cost, is made entirely using renewable energy, and once used, is recycled efficiently to provide a valuable resource for subsequent generations.” According to the Coalition, this definition is a “target vision”—one that companies should strive toward.

Mike Maggio, Vice President, Global Strategic Design Operations, Johnson & Johnson, says sustainability is a

process: “There’s no beginning and no end to sustainability.”

Maggio explains: “We approach packaging with a continuous-improvement strategy that aims to reduce packaging weight and the energy used to make and transport packaging, as well as increase the portion of post-consumer recycled (PCR) materials and sustainable or biodegradable materials that we use.”

An example of how this improvement cycle works is the packaging for our BAND-AID® Brand Adhesive Bandages. In 2007, the box supplier in Brazil switched from non-certified paperboard to material that is certified by the Forest Stewardship Council (FSC). This year, we are working to reduce the size of the carton, and by next year, we hope to add post-consumer recycled content to the paperboard.

While Maggio focuses on packaging in the Johnson & Johnson Consumer Group of Companies, he has counterparts in the Medical Devices & Diagnostics (MD&D) and Pharmaceuticals businesses. As part of a broader product stewardship effort, the goal throughout Johnson & Johnson is to reduce packaging weight, increase recycled content in packaging and eliminate materials of concern.

REDUCING PACKAGING WEIGHT

While we have successfully reduced the size and weight of many packages, any effort to improve the sustainability of our packaging must involve people from procurement, engineering and quality assurance, as well as our suppliers and customers. Sometimes, challenges are uncovered.

The iconic pink JOHNSON’S® Baby lotion bottle is one example. “Initially we set a goal for it to use more recycled materials—to contain more than 30 percent PCR high-



density polyethylene material in 2008,” says Maggio. “But quality is critical in the sustainability process, and we found we needed more time to meet the quality requirement.”

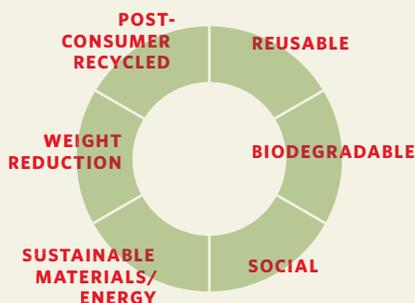
INCREASING RECYCLED CONTENT

Our *Healthy Planet 2010* goal was to increase the percentage of environmentally preferred post-consumer recycled or certified fiber in office paper and paper-based packaging. This goal has been met and exceeded (see page 24). But using recycled materials doesn’t just apply to paper; glass, certain plastics and metals can also be collected and used to manufacture packaging. For consumer packaging, Johnson & Johnson has established minimum-PCR-content requirements for these materials. The same efforts are more difficult with packaging in the MD&D and Pharmaceuticals businesses because of product registration and stability commitments.

ELIMINATING MATERIALS OF CONCERN

Similarly, we have goals to reduce our use of PVC (polyvinyl chloride) packaging. We distinguish between primary PVC

CONTINUOUS PACKAGING IMPROVEMENTS





Guidelines for Reusability, which address the quality procedures needed to make refillable packaging viable. A number of our brands are now exploring refillables.”

ENCOURAGING CHANGE

Maggio says he’s seen a shift in the last three years. Instead of his team pushing for sustainability goals, marketing teams are now eager to see how they can help their brands meet the greening tastes of consumers. But growing consumer interest is just one driving factor. “Some of our biggest customers—Wal-Mart, Tesco (in the U.K.) and Costco—are very tuned in and are helping us with their scorecards and measures to make continual improvements,” says Maggio.

In turn, Johnson & Johnson is exercising leadership with our suppliers through our *Standards for Responsible External Manufacturing* and a Procurement Sustainability Initiative, which are driving sustainability into the conversations we have with suppliers.

“Sustainable materials and methods are an increasingly important element in our relationship with suppliers,” says Andrew Mowery, Vice President, Packaging Category Leader, Johnson & Johnson. “It’s important that we communicate with our suppliers about our goals and expectations for supply chain partners.” Through our participation in programs such as the Carbon Disclosure Project’s Supply Chain Leadership Council and the EPA’s Green Supplier Network, we are encouraging suppliers to measure and reduce their environmental footprint.

“We don’t know if we’re leaders; we’re more concerned with doing what we know are the right things to do,” says Maggio. “The biggest challenge is what we don’t know—it means we must continue to stay in touch with new technologies and to assess new opportunities.”

SWEET ON CHANGE In 2008 a change in the configuration of the SPLENDA® package saved 1.7 million tons of paperboard. Gary Short, Contract Site Manager, McNeil Nutritionals, handles supply chain relations and works with Kelley Frank, Associate Packaging Director, OTC & Nutritionals, Johnson & Johnson Strategic Design, LLC to achieve the Company’s packaging goals.

packaging—that which comes into direct contact with our products—and secondary or tertiary packaging, such as bottle cap seals or palletizing wrappers. Replacing primary PVC is more difficult because PVC has characteristics that protect product quality. In general, eliminating PVC from primary packaging requires significant time and cost to test and validate alternatives. Nonetheless, we are making good progress on our stated goals (see chart at right).

OUR PATH FORWARD

In planning for the future, Mike Maggio and his team in our Consumer business are considering biodegradable and refillable packaging. “Right now, biodegradable packaging is mostly used by the food and beverage industry, where short shelf life and well-defined distribution channels make it feasible. We’re not there yet,” says

Maggio, “but we’re considering the kinds of biodegradable materials that are out there and how we might be able to use them.”

Refillables might see their first use in emerging markets. “We’re finding consumers there want to buy smaller quantities with less initial packaging, then refill the same container later,” says Maggio. “In 2008, we developed

PVC PACKAGING GOALS

SEGMENT	TYPE OF PACKAGING	2010 GOAL	PROGRESS
Consumer Products	Primary	100 percent elimination ¹	90 percent eliminated (2,232 tons) ²
Consumer Products	Secondary & tertiary	100 percent elimination	85 percent eliminated (784 tons)
Medical Devices & Diagnostics	Secondary & tertiary	100 percent elimination	100 percent eliminated
Pharmaceuticals	Secondary & tertiary	100 percent elimination	1 percent eliminated (230 tons) ³

¹ Does not include over-the-counter drug products

² This business made a large acquisition in 2007 that added PVC into its baseline in the middle of the goal period

³ We have 33 tons of PVC remaining in secondary packaging for two products

Keeping Water Vital

After climate change, water may be the world's most pressing environmental challenge. Whether it's the water we use in our facilities or the water people drink, Johnson & Johnson knows that clean water, and enough of it, is critical to health.

From diminishing quality to droughts, many parts of the world are already experiencing water challenges.

In 2008, Johnson & Johnson used approximately 3 billion gallons of water—enough to fill 4,600 Olympic-sized swimming pools—in our manufacturing processes and our office facilities. In 2005, we set a *Healthy Planet 2010* goal to reduce absolute water use by 10 percent from 2005–2010, and we are measuring our progress against this goal (see chart at right).

“Water is a critical natural resource, and we're always mindful of ways to protect water quality and use water wisely,” says Brian Boyd, Vice President, Worldwide Environmental Health and Safety. “While conservation is front-of-mind, true stewardship requires a more comprehensive water-management strategy.”

WATER MANAGEMENT STRATEGY

The corporate environmental group provides business leaders with tools and best practices in water conservation so they can select approaches that will best reduce water use and costs. Each Johnson & Johnson facility is required to develop a water conservation plan and perform an assessment to identify ways to reduce water use. “Some places where we operate, like China and India, don't have abundant water,” says Boyd.

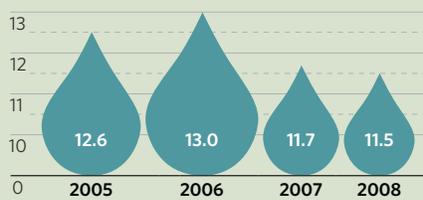
WASTEWATER TREATMENT IN INDIA

India is an important emerging market and a part of the world where water scarcity and quality are pressing issues. It's expected that manufacturing and exports will increase substantially by 2010, with important environmental implications, particularly as regards water quality.

The Johnson & Johnson, Ltd. consumer manufacturing facility built in Baddi, Himachal Pradesh in 2006 included a zero-discharge wastewater-treatment facility—every bit of treated water is reused for irrigation, garden use and toilet flushing.

The facility has also begun rain-harvesting. Rooftop rainfall is collected and recharged to the ground through a rainwater-harvesting pit. “The huge amount of water during monsoon season was going directly to the storm water and was wasted,” says Achal Gupta, Manager, Environment Health and Safety, Johnson & Johnson, Ltd. “So we decided to make use of it.”

Water Usage (mm cubic meters)



Figures represent small corrections as a result of routine auditing of our data.

DOING MORE WITH LESS

“Our biggest successes in reducing the use of water have come from two areas: projects aimed at controlling cooling at our sites in energy-efficient ways and process changes or improvements,” says Keith Wojciechowski, Senior Environmental Engineer. He shares an example: “Cilag AG, our pharmaceutical manufacturing facility in Switzerland, reduced its water use 35 percent by reusing coolant, reducing Johnson & Johnson's total water use by nearly 3.5 percent.” In another example, Wojciechowski said, an Ethicon facility found that by separating scrap needles returned with packaging for reuse, the amount of water used for sorting and cleaning was reduced.

OTHER WAYS TO SAVE

We anticipate that further process improvements will drive continued progress toward the *Healthy Planet 2010* water reduction goal, and additional efforts to reuse or recycle

water could further reduce our water use. “Our challenge is to continue to reduce water consumption, even as production is increasing,” says Wojciechowski.¹

THE BIGGER WATER PICTURE

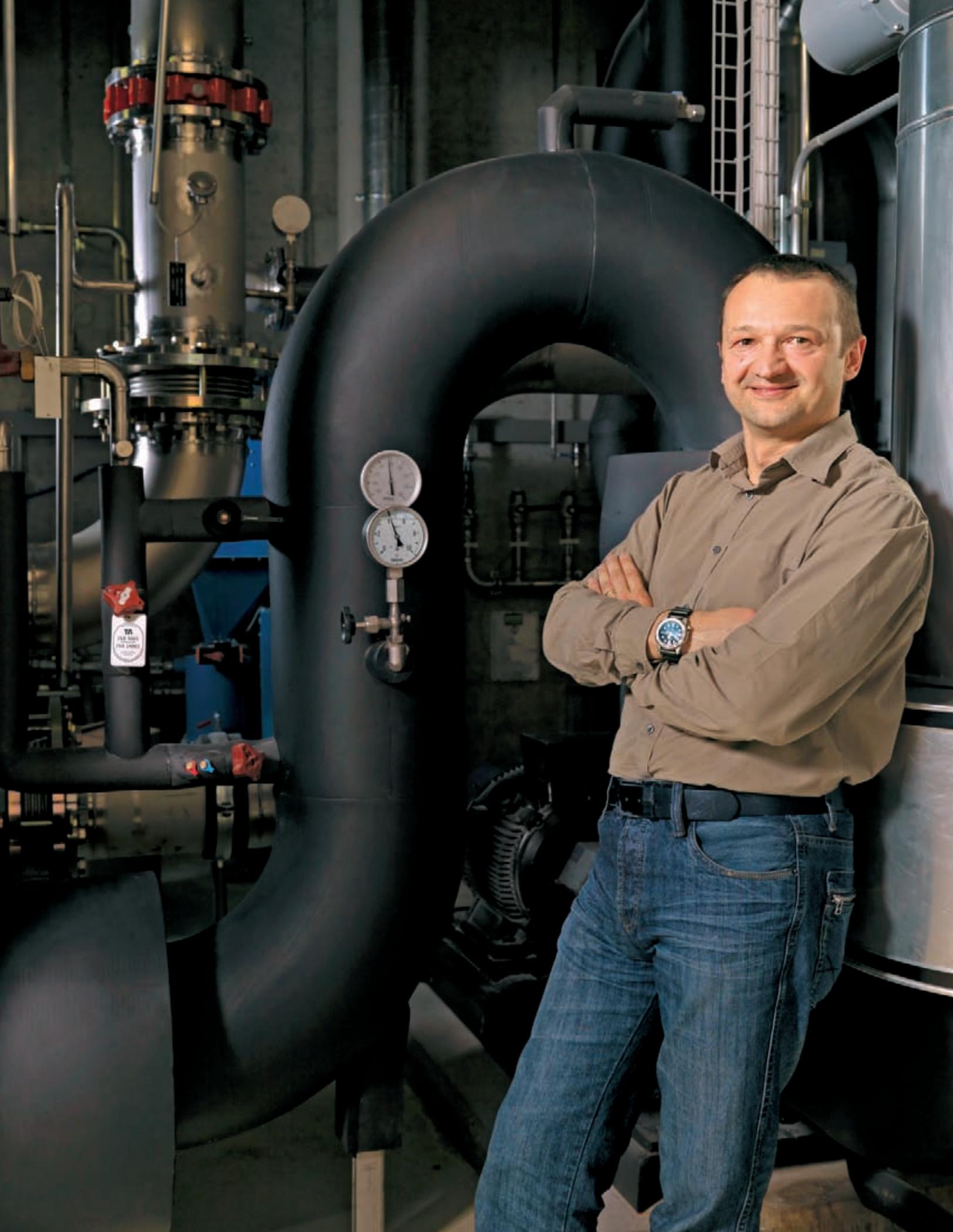
“With water we must continue to take a long-term view,” says Boyd. For example, we are actively working on the issue of pharmaceuticals in the environment (PIE). PIE is gaining attention, as trace amounts of pharmaceuticals have been found in water in the U.S. and Europe. The main source of PIE is excretion of medicines as a result of normal patient and consumer use. Substantial research indicates that it is unlikely the amounts found affect human health. However, there is some indication that aquatic organisms may be affected with long-term exposure.

Additional research is needed to properly evaluate the potential risks, and Johnson & Johnson is actively engaged on this issue. The company is funding a study underway with the National Science Foundation and several universities to look at cost-effective PIE treatment methods that governments can employ. “Where we can, we change our behaviors, and where the issue is broader than we can solve, we get involved with others to understand the best possible long-term approaches,” says Boyd.

Evaluating the potential risks of PIE is a complex undertaking. In the meantime, Johnson & Johnson is taking steps to minimize or eliminate sources of active pharmaceutical ingredients (APIs) from our wastewater discharges. Periodic wastewater monitoring is conducted to evaluate predicted concentrations and to identify potential toxicity to anything that lives in water. Further, we develop safe levels—known as Predicted No Effect Concentrations, or PNECs—for our APIs. At the end of 2008, most of our operating companies that use APIs had characterized their wastewater effluents; this information is being used to devise a comprehensive risk-management strategy.

¹For a sampling of our environmental efforts around the world, see the interactive map on www.jnj.com/connect/caring/environment-protection.

KEEPING COOL Mladen Loncar, Project Manager, Global Pharmaceutical Supply Group, LLC, and his colleagues at Cilag AG in Switzerland reduced water use by 35 percent using coolant instead of fresh water in a specially designed closed-loop chiller.



Environmental Performance

MANAGEMENT OVERVIEW

Environmental management at Johnson & Johnson is guided by Our Credo, our environmental policy and our global environment standards.¹ In addition to the topics discussed on pages 18 through 21, the following section includes other aspects of our environmental performance in 2008.

CERTIFICATION

All our manufacturing and research and development facilities around the world are certified to the ISO 14001 Environmental Management System. This is a third-party system that follows a “plan-do-check-act” approach to drive continual improvement in the management of environmental performance.

Johnson & Johnson also has global standards and a complementary auditing process that includes self-assessment, independent assessment, action planning, corrective action tracking and training. Sites conduct annual compliance audits, and, generally every third year, an independent team evaluates both compliance and management systems. An event notification process alerts management of environmental noncompliances and accidental releases within 72 hours.

Johnson & Johnson has been setting long-term (five-year)

¹ www.jnj.com/connect/caring/environment-protection

environmental goals since 1990. Our *Healthy Planet 2010* goals aim to reduce carbon dioxide emissions, water use and waste generation. We have targets to source office paper and paper packaging in a more sustainable way, and we have also set goals in product stewardship, environmental literacy, transparency, biodiversity, compliance and external manufacturing. These categories were chosen after consideration of our areas of environmental impact and with input from stakeholders, including government officials, environmental groups, other companies and academic thought leaders.

STRATEGY DEVELOPMENT

We conduct periodic benchmarking with peers, monitor developing science and regulation, convene an Emerging Issues team to better understand issues on the horizon, and cultivate environmental partnerships. All these approaches enable us to adapt our strategies to protect the environment and enhance the sustainability attributes of our products.

OVERSIGHT

Our environmental strategy and performance are reviewed annually with the Executive Committee and with the Public Policy Advisory Committee of our Board of Directors. In addition, our environmental performance is reviewed quarterly with

COMPLIANCE	2005	2006	2007	2008
Accidental Releases (number of events)	9	9	9	15
Agency-Issued Noncompliances (number of events)	18	10	13	20
Fines Paid (thousands \$U.S.)	5.82	5.58	31.4	164.1

the Corporate Compliance Committee.

To drive our environmental efforts, each Group Operating Committee has goals and plans for environmental compliance. Goals are reviewed by the Office of the Chairman, approved by the Board of Directors and monitored by the Public Policy Advisory Committee of the Board. Our Corporate Compliance Committee also provides ongoing oversight. Significant issues are escalated to Executive Committee members and monitored until successfully resolved.

COMPLIANCE

Johnson & Johnson aspires to have zero accidental environmental releases, zero noncompliances and thereby zero fines. In 2008, our performance in this area trended slightly upward (see chart above). While all these events continue to be minor in nature (e.g., wastewater limits, reports submitted late), we have asked our companies for increased vigilance to reduce the occurrence of these noncompliance events. We will be watching these indicators

through 2009 to gauge whether the trend is just a minor statistical variation or if we need changes in our management system.

During 2008, we settled two cases that were under discussion with regulatory agencies. Noramco Inc. in Wilmington, Delaware, paid \$125,934 to settle penalties from a hazardous-waste violation that occurred in 2006 and an air emission violation in 2007. Information Technology Services in Raritan, New Jersey, paid \$38,122 in fines for air emissions that occurred in 2004 and 2005.

In 2008, 34 percent of the electricity used by Johnson & Johnson operating companies was from renewable resources.

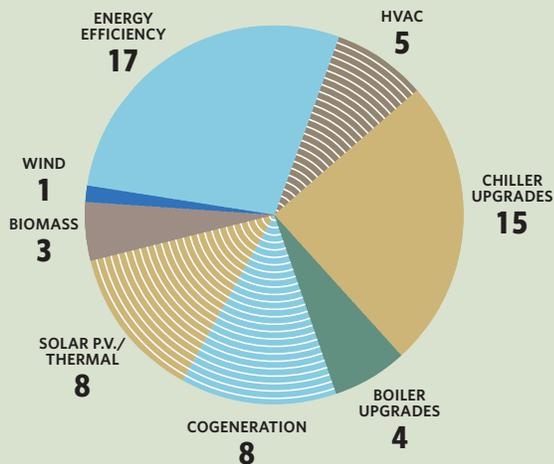
CLIMATE CHANGE

In 2003, Johnson & Johnson adopted a *Climate Friendly Energy Policy*, which established greenhouse gas reduction goals and outlined a pathway to achieve them. It is supported by a carbon dioxide (CO₂) reduction capital

ENERGY USE Gigawatt hours (GWH)				
	DIRECT	INDIRECT	TOTAL	% FROM RENEWABLE ENERGY SOURCES
1990	1,527	1,340	2,867	0 percent (baseline)
2006	1,975	1,811	3,786	37 percent
2007	2,030	1,818	3,848	36 percent
2008	2,021	1,882	3,903	34 percent
CARBON DIOXIDE NET EMISSIONS Thousand metric tons				
	DIRECT	INDIRECT	INDIRECT OFFSETS	NET EMISSIONS
1990	308	751	0	1,059
2006	341	937	395	883
2007	344	973	385	932
2008	357	971	364	963

Investing in Lower-Carbon Energy Efficiency

Approved Energy-Reduction Projects



As of December 2008, 61 energy-reduction projects were approved through our capital funding process. Of these, 45 were completed from 2005-2008, and 16 are underway now. For approximately \$124 million in capital, we anticipate these projects will collectively reduce CO₂ emissions by 118,000 tons and provide a 17.2 percent average rate of return.

funding process that makes \$40 million per year available for energy and greenhouse gas reduction projects across the company. We have targets for facility emissions and transportation-related emissions.

FACILITY EMISSIONS

Our *Healthy Planet 2010* goal for emissions from our company-owned facilities is a 7 percent absolute reduction in CO₂ from 1990-2010. To achieve this goal, Johnson & Johnson operating companies are improving energy efficiency, installing on-site cogeneration and renewable energy infrastructure, and purchasing green power and carbon offsets (see chart above). We are currently meeting this goal, having achieved a 9 percent absolute reduction in CO₂ emissions from 1990-2008 in our company-owned facilities (see chart at bottom left). During this same period, sales grew by more than 400 percent.

We fully anticipate meeting our 2010 goal, despite challenges such as reducing our absolute emissions while our business is growing and financially justifying energy-reduction projects when energy prices are down. RECs and carbon offsets provide a mecha-

nism for us to support renewable energy projects to reduce greenhouse gas emissions through external projects supported by Johnson & Johnson, similar to the approach that would be employed under a cap and trade system. Still, our preference is to reduce our direct emissions when possible.

SUPPLY CHAIN & GHG

We are working to influence our supply chain with regards to greenhouse gas (GHG) emissions by encouraging our suppliers to join the Carbon Disclosure Project's (CDP) Supply Chain Leadership Council. We have been disclosing our energy use to the CDP since 2003 and believe that doing this inventory and understanding a company's emissions is the first step in managing them better.² The operating companies of Johnson & Johnson want to do business with suppliers and external manufacturers that share our commitment to reduce greenhouse gases.

CLIMATE POLICY INITIATIVES

We are also using our influence to help shape responsible climate and energy policy. We

² See our reports at www.cdproject.com.

are a member of the U.S. Climate Action Partnership (USCAP). In early 2009, USCAP released policy recommendations for developing legislation that would create a national climate protection program. In addition, Johnson & Johnson was one of approximately 140 companies to sign the Poznan Communiqué in 2008, at the United Nations Climate Talks in Poland. The communiqué seeks a global, integrated solution to climate change.

FLEET EMISSIONS

At the end of 2008, the Johnson & Johnson worldwide automobile fleet consisted of approximately 36,000 owned or leased vehicles, accounting for an estimated 250,000 metric tons of CO₂ from 741 million miles driven. These emissions are not included in our worldwide CO₂ emissions figure, as we do not yet have an adequate degree of precision in these measurements.

OWNED/LEASED CARS

Our *Healthy Planet 2010* goal is to reduce total CO₂ emissions per kilometer driven by 30 percent from our 2003 baseline, with a current target of 150 grams/kilometer CO₂ worldwide. To meet the goal, we have set minimum fuel-efficiency requirements by vehicle category, and we are purchasing hybrid electric cars and ethanol-fueled vehicles to replace older, less-efficient models.

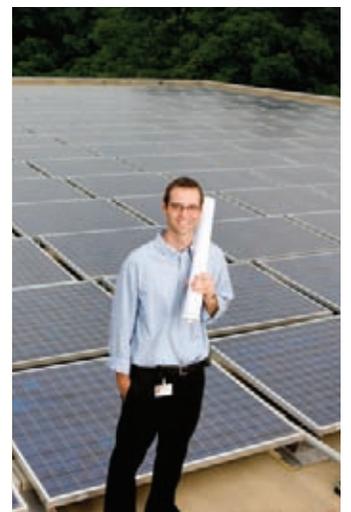
At the end of 2008, we had more than 2,100 hybrid vehicles in our U.S. fleet (approximately 20 percent of the total U.S. fleet). Johnson & Johnson was recognized by *Automotive Fleet* magazine as the No. 1 commercial hybrid fleet in the U.S. Also, 100 percent of our automotive purchases are made through minority suppliers, which supports our aim of diversifying our supply chain. (See "Supplier Diversity" on page 17.)

Despite our success incorporating hybrid vehicles

into our U.S. fleet, our CO₂ emissions per unit distance actually increased, to an average 233 grams/kilometer. There are several reasons for this, including the fact that we have not yet cycled some less-efficient vehicles out of our fleet and we need to retain minivans to transport medical devices and supplies. We are taking steps to accelerate our transition to a more efficient fleet. We acknowledge that our goal was more aggressive than anticipated, and it will be a challenge to meet it by 2010. Nonetheless, we continue to work toward it, and we are exploring options to make progress in this area.

SHIPPING TRUCKS

Our environmental efforts for transportation also extend to product shipments. The Global Transportation Organization, a division of the Johnson & Johnson Sales and Logistics Company, LLC, which handles shipping for our three business segments, is participating in the U.S. EPA's SmartWay program. SmartWay is a voluntary collaboration to increase transportation energy



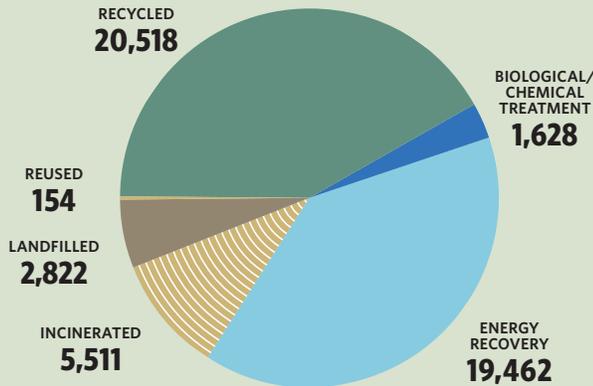
HARNESSING SOLAR POWER

In 2008, the World Resources Institute reported that Johnson & Johnson was the second largest corporate user of on-site solar power in the United States

Off-site Management of Hazardous Waste

(in thousands of kilograms)

Total: 50,094,567 kg



efficiency while decreasing greenhouse gas emissions and air pollution.

During 2008, we increased our business with SmartWay-approved carriers. More than 95 percent of trucking expenditure is with SmartWay-approved carriers (up from 72 percent), and more than 77 percent of our total truckload business is with carriers rated exceptional by SmartWay.

Another important initiative in 2008 was use of day cabs (trucks without the sleeper cab) to transfer heavy shipments of LISTERINE® from our manufacturing facility to the distribution center 200 miles away. The day cab project eliminated 75 trucks from the highway. Overall, our 2008 efforts removed 1,070 trucks from the highway and prevented over 7,500 tons of CO₂ from entering the atmosphere.

OZONE-DEPLETING SUBSTANCES

Johnson & Johnson has committed to reduce our use of substances that harm the ozone layer, such as hydrochlorofluorocarbons (HCFCs), used in facility refrigeration equipment. Our plan is to eliminate use of these substances in equipment greater than five

tons of capacity by 2015, five years ahead of the schedule set out by the Montreal Protocol. We are completing an emissions inventory and identifying acceptable alternative technologies.

PRODUCT STEWARDSHIP

Product stewardship means taking responsibility for the environmental and social impacts of our products across their full lifecycle. One way our companies do that is by using our Design for Environment tool, which helps our scientists and marketers assess products, processes and packaging for environmental impacts.

In 2008 we revised the tool to align with a new product lifecycle assessment scorecard we are rolling out in 2009. This scorecard will help operating companies uncover areas of product impact vulnerability or opportunity to create greener products. It will also help companies avoid greenwashing errors, should they decide to make environmental statements about products. Products are rated on six criteria:

- **Materials:** Use safer ones, less volume or weight and fewer materials
- **Waste:** Decrease waste generation, increase recyclability and reuse

- **Water:** Increase efficiency
- **Energy:** Increase efficiency
- **Packaging** Reduce weight, increase recyclability, eliminate materials of concern
- **Innovation:** Create breakthrough, best-in-class products and services.

Johnson & Johnson has two *Healthy Planet 2010* product stewardship goals. The first is that each operating company establish a plan to evaluate and use ingredients and materials with an improved sustainability profile. The second establishes “take-back” mechanisms for our electronic products, to enable improved recycling or remanufacturing of these products after their useful life.

At the end of 2008, each of our companies had a wide range of activities underway to improve the sustainability of its products. For example, we eliminated 1.4 million kilograms of solvent from the manufacture of our new AIDS drug in 2008 by reusing solvents in a fully compliant fashion. Additionally, 54 percent of our businesses (calculated on a regional basis) have implemented take-back programs, up from 21 percent in 2007. To advance this capability, a global agreement with one of the largest electronic take-back companies was developed and will go into full effect in 2009.

PAPER & PACKAGING

One of the ways we work to enhance the environment is by using our purchasing power to enhance responsible forest management. We are a member of the World Wildlife Fund’s North America Forest and Trade Network and the Global Forest & Trade Network, both of which have helped us understand current threats to our forests and the many ways we can work to protect them.

We established a *Healthy Planet 2010* goal to have 90 percent of our office paper and 75 percent of our paper-

based packaging contain greater than 30 percent post-consumer recycled (PCR) content or fiber from certified forests. At the end of 2008, 93 percent of packaging and 96 percent of office paper met this goal.

Similarly, we have been reducing the use of polyvinyl chloride (PVC) in packaging. For details, see page 19.

WASTE REDUCTION & LIABILITIES

Johnson & Johnson recognizes that waste in a production process signals inefficiency. We have a *Healthy Planet 2010* goal to reduce hazardous and non-hazardous waste in our company-owned facilities by 10 percent against our 2005 baseline. We are currently meeting these targets. In 2008, we reduced both non-hazardous and hazardous waste by 16 percent (see chart at top right on page 25).

Our operating companies have increased recycling, and they are successfully reusing some hazardous and non-hazardous waste. One example is identifying beneficial reuse markets for the recycling of our solvent-based hazardous waste.

In 2008, 1.2 million pounds of waste solvent was captured and reclaimed. Similarly, ethanol-containing rinse



CHILDREN SHARE CONCERN FOR USING ENERGY WISELY

This winning artwork from the 25th annual Johnson & Johnson Global Energy coloring contest reminds us that our actions to address climate change today uphold our responsibility to future generations.

waters, previously disposed of as hazardous waste, are now captured from our LISTERINE® processing lines and reconditioned. As technology identifies ways to recycle many wastes, those we previously disposed of are becoming a commodity or, as in the case of high-BTU wastes, an energy source. We also continue to identify opportunities to reduce waste generation at its source.

Over the years, Johnson & Johnson has been named as a potentially responsible party for 26 hazardous waste disposal sites, and we have accrued approximately \$9 million in environmental liabilities. We are involved in these sites either because of past waste management practices that were standard industry practice at the time or because of improper handling of our waste by companies with which we contracted. During 2008, we spent approximately \$4.6 million to address remediation at 21 existing and divested Johnson & Johnson properties; we completed remediation at three sites.

BIODIVERSITY

As a way to foster biodiversity, Johnson & Johnson set a *Healthy Planet 2010* goal to implement biodiversity conservation plans at 100 percent of our facilities and companies by 2010. At the end of 2008, all our operating companies had a biodiversity plan endorsed by company leadership.

More than 55 conservation projects are underway around the world; 66 percent aim to enhance or conserve biodiversity off-site.

Our current challenge in meeting this goal is financial, as resources are scarcer in today's economic climate. However, many of these projects are accomplished through volunteer time and resources. As an example, employees from Johnson & Johnson Consumer Products Company Canada, in

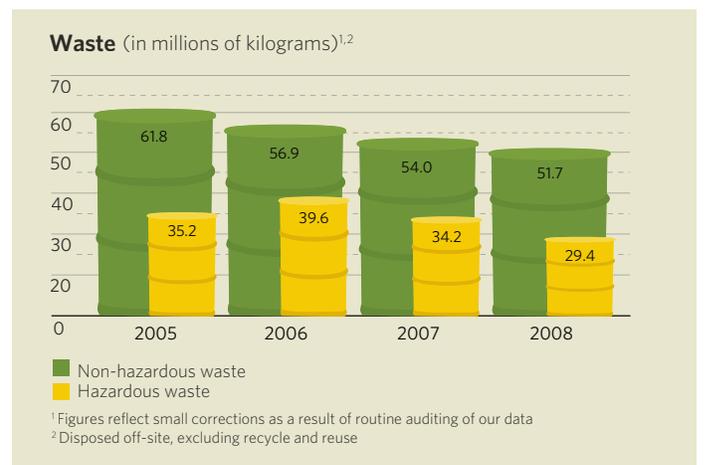
Montreal, have restored 867 acres of the Sainte-Marguerite-Marie peat lands in partnership with the Canadian Peat Industry, the Canadian and Quebec governments and the Peatland Ecology Research Group. The company once used peat from these lands as the absorbent core in sanitary napkins.

CONSERVATION PARTNERSHIPS

Johnson & Johnson has longstanding relationships with many conservation organizations, including the World Wildlife Fund (WWF), Conservation Fund, the Trust for Public Land, Wilderness Society and the Harvard Medical School Center for Health and the Global Environment.

In 2008, we entered into a Global Development Alliance with the World Wildlife Fund and the U.S. Agency for International Development. By combining USAID support for family planning and reproductive health with support from Johnson & Johnson for the environment and human health, the Alliance enables WWF to work more effectively with local communities to conserve important species and ecosystems. In Nepal, the Alliance has worked with forest users to enhance health and to replace firewood with biogas as a fuel source. The Alliance is also conserving key fisheries on the northern coast of Kenya and improving the health of communities using those fisheries.

Also in 2008, a project of the Harvard Medical School Center for Health and the Global Environment, supported by Johnson & Johnson, resulted in the publication of *Sustaining Life: How Human Health Depends on Biodiversity*. The first book to examine the full range of potential threats that a loss of biodiversity poses to human health, *Sustaining Life* presents a comprehensive view of how



humans depend on biodiversity and argues that we can no longer see ourselves as separate from the natural world, nor assume we will be unharmed by its alteration.

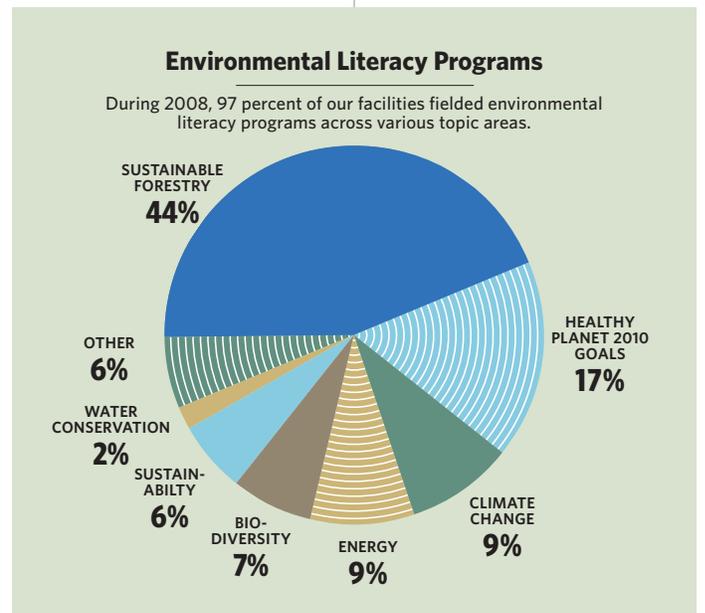
EMPLOYEE EDUCATION

One of our *Healthy Planet 2010* goals is to conduct annual environmental literacy campaigns throughout our operating companies. Educational materials and approaches included posters, calendars, web-conferencing, articles, videos, e-learning modules, brochures, social media sites and some materials specifically created for the children of our employees. Through the literacy program, our employees become aware of global environmental issues

and formulate workable ideas that help us reduce our environmental impacts.

TRANSPARENCY

We continue to make progress on our *Healthy Planet 2010* goal to have 100 percent of manufacturing and research and development facilities providing facility- or company-specific environmental sustainability information to the public. At the end of 2008, 85 percent of our facilities had created transparency reports, which are being posted to jnj.com. We do not expect to achieve the 100 percent goal by 2010 because our mix of facilities is constantly changing through acquisition and divestiture. Most of the non-reporting facilities fall into one of these situations.





A Focus on Wellness & Prevention

Johnson & Johnson has identified Wellness & Prevention as a platform for growth because health care systems around the world, as well as individuals, are seeking products and services that can reduce preventable chronic disease, sustain good health and well-being, and restore faculties to otherwise healthy aging people.

Governments, private payers, employers, unions and individuals are seeking new solutions to spiraling health care costs.

Businesses such as ours face these and other challenges too: patent expirations and generic competition for some pharmaceutical products; aggressive new competitors in some of our surgical and comprehensive care businesses; and low-cost brands fighting for market share with our consumer products.

Still, Johnson & Johnson remains committed to expanding the ways in which we care for people throughout the world. We've made significant strides to strengthen market positions in the areas in which we compete today, identifying new high-growth opportunities and broadening our capabilities into more of the \$4.1 trillion health care market.

Many of today's burgeoning health care costs are related to lifestyle-driven chronic disease, both in developed and developing countries. In the U.S., 78 percent of health care spending is for preventable chronic conditions. So as Johnson & Johnson expands its business, disease prevention is both a significant business opportunity and an important way to deliver on our mission of enhancing lives around the world.

DISTINCT GROWTH OPPORTUNITY

In November 2007 we began to identify new growth opportunities beyond our existing pharmaceutical, medical device, diagnostics

FAMILY WELLNESS Seen here with his family, Calvin Schmidt is heading Johnson & Johnson's newest business platform, Wellness & Prevention, Inc. It's one way Johnson & Johnson is expanding care for people throughout the world.

and consumer businesses. As a result, we established a Wellness & Prevention platform in late 2008 that, as its first goal, will provide products and services designed to help employers optimize the health of employees.

"We're building a portfolio of products and services that will help prevent chronic disease, sustain wellness and restore faculties to the aging," says Calvin Schmidt, President, Wellness & Prevention, Inc., a Johnson & Johnson company. "We're starting with employers—our products and services will help them offer programs that empower people to be well and perform at their best."

WELLNESS & PREVENTION

The first steps in the Wellness & Prevention initiative were two acquisitions in late 2008. In October, Johnson & Johnson acquired HealthMedia, Inc., a provider of web-based programs that help people improve their behaviors in areas such as weight and stress management, sleep quality, smoking cessation and taking medication as directed by their health care provider. HealthMedia combines advanced technology and behavioral science to effectively emulate a health coach via the web. Results include increased compliance with treatment regimens, reduced use of medical systems and increased productivity. HealthMedia's products also have demonstrated cost savings for health plans and employers.

In December, Johnson & Johnson acquired Human Performance Institute™, which offers a unique combination of tools such as performance psychology, exercise physiology and nutrition to achieve health goals. This approach has been shown to have a positive impact on performance in

high-stress arenas such as business, sports, medicine and law enforcement.

Johnson & Johnson believes there is substantial strategic synergy between HealthMedia, Inc. and Human Performance Institute™.

PROVEN POTENTIAL

Initially, the Johnson & Johnson Wellness & Prevention platform is directed at employers, which, in the United States, bear a significant share of the cost of health care benefits. As a major employer, Johnson & Johnson has focused on the benefits of wellness and prevention with our own workforce and has achieved documented savings and improved productivity.

Johnson & Johnson employees have used HealthMedia products since 2003, and roughly 8,000 U.S. employees have participated in one or more programs. Success is measurable: For example, 58 percent of participants in a stress-management program saw improvement in six months; 42 percent of employees in a smoking-cessation program quit within six months; and 55 percent of those in a weight-loss program had success, with 35 percent of participants reducing BMI (Body Mass Index) by one point or more.

Our focus on health and wellness among our U.S. workforce has helped reduce per-capita health-plan costs by \$400 per employee per year (based on 2007 data) and significantly improved overall employee health and productivity.

The Johnson & Johnson Wellness & Prevention platform recognizes the opportunity to fundamentally expand the definition of health care. And while reducing costs is certainly one benefit of prevention, there's more. "Preventing disease means preventing pain and suffering, and helping people lead healthier, more productive lives. That's a tremendous and inspiring goal," says Schmidt.

JOHNSON & JOHNSON EMPLOYEE HEALTH INDICATORS BY % OF PROFILED U.S. EMPLOYEES		
HEALTH RISK	1995-1999 AVERAGE	2007-2008
Smoking	12%	4.2%
High blood pressure (>140/90)	14%	6.4%
High cholesterol (>240 mg/dl)	19%	7.2%
Inactivity (30 minutes of activity less than 4 days/week)	39%	31.5%

Developing New Markets

One of our business priorities at Johnson & Johnson is to accelerate growth in emerging markets—not only to bring value to the Company but also to serve the needs of these important new customers.

Although the U.S. remains the world’s leading health and professional care market, the most dramatic product growth rates are occurring in the world’s emerging markets, in countries such as Brazil, Russia, India and China—the BRIC countries—as well as other rapidly developing countries, such as Turkey and Mexico.

While the current economic crisis may temper growth in these markets, opportunities remain significant. Over the next five years, Russia, India, China and Turkey are projected to grow at high single-digit rates, while more developed markets are likely to grow more slowly.

Patients and consumers in developing markets are increasingly sophisticated, but sometimes the products that will best meet their needs are different from those that sell in developed markets.

WELL-ESTABLISHED PRESENCE

Serving the needs of local consumers is something that a decentralized, close-to-the-ground company can do well, and we are not newcomers to emerging-market countries. Johnson & Johnson has maintained

a significant and well-established presence in these markets for decades, using our decentralized operating model to stay close to patients, consumers and health care providers with local market insights, products and strategies. We began operations in Brazil and India in the '30s and '40s and in China and Russia in the '80s and '90s. Our commitment to these markets continues to grow.

There are three core components to our emerging-market strategy: developing market-appropriate products to better meet local needs; building local research and development, marketing and other capabilities to fully integrate with the market and its people; and, in our professional businesses, training health care practitioners to provide optimal patient care.

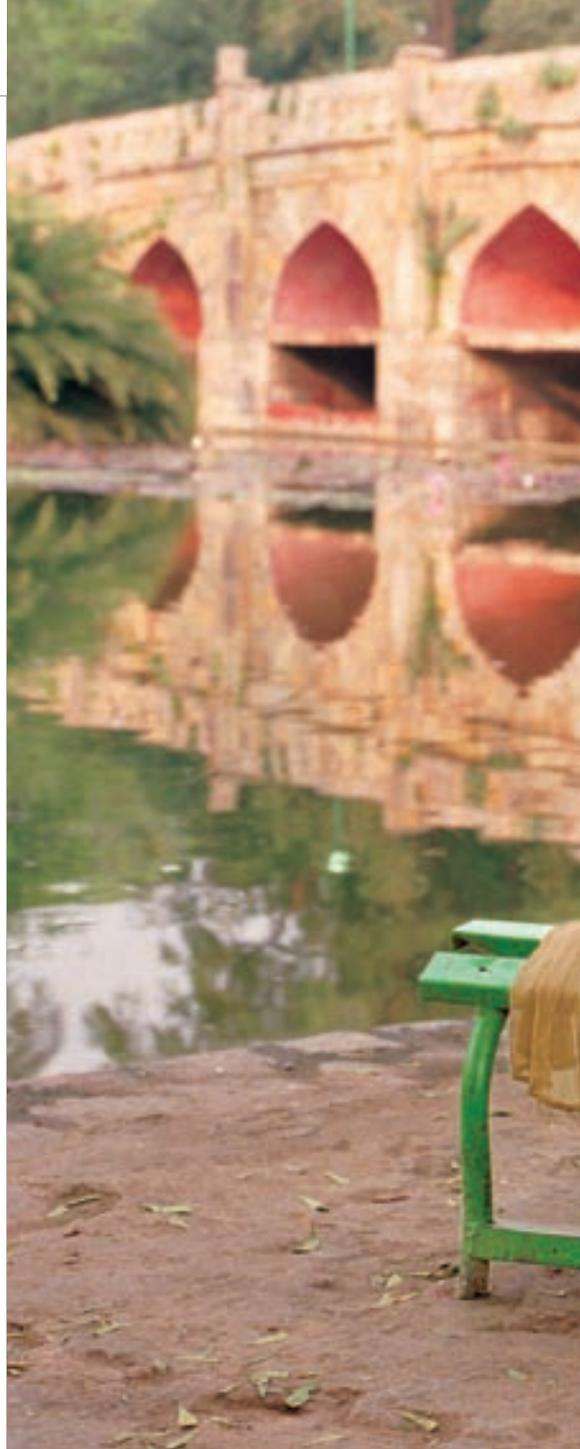
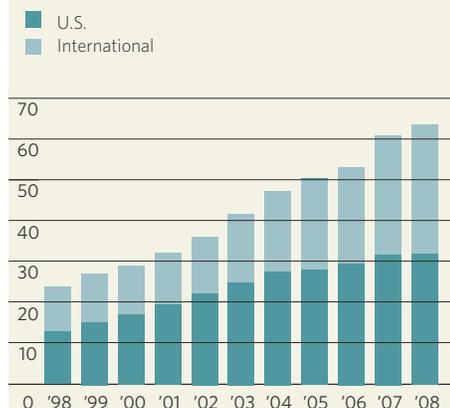
MARKET-APPROPRIATE PRODUCTS

What satisfies needs in developed markets often isn’t what makes a product appropriate in an emerging market. Here, the emerging middle-class or mid-tier consumer—people whose incomes are rising beyond a lifestyle that is paycheck-to-paycheck—has a new opportunity to focus on things like health care. The mid-tier consumer’s values and needs present differences to developed markets.

A consumer bonding program at the Emerging Market Research Center in China includes a live-in program, where researchers spend time with a family to get to know their needs in ways they might not articulate. “Emerging-market consumers have different living environments, life attitudes, and education, which results in different needs for products and communication,” says Lillian Xu, Consumer Science Manager, Asia Pacific & Emerging Markets, Johnson & Johnson Consumer Group of Companies. “We felt that it’s critical to get close to consumers in these markets and even ‘live in their skin and think in their way’ in order to develop

U.S. and International Sales Over 10 Years

(in billions of dollars)



products that really meet their needs.”

There has already been success with baby and sanitary-protection products geared toward mid-tier consumers. “We’re expanding our efforts,” says Colleen Goggins, Worldwide Chairman, Johnson & Johnson Consumer Group of Companies, referencing the 2008 acquisition of Beijing Dabao Cosmetics, Ltd., a leading Chinese skin care company. “Dabao adds new products to our mid-tier portfolio and extends our reach deep into China’s urban heartland.”

LOCAL CAPABILITIES

The Dabao acquisition is the most recent example of the work Johnson & Johnson



a more attractive place to work,” says Owen Rankin, Vice President of Corporate Equity, Johnson & Johnson.

Meanwhile, for Johnson & Johnson, China has become a center of research and development for new and affordable products that address consumer needs in emerging markets. In 2007 Johnson & Johnson opened the Emerging Markets Innovation Center in Shanghai. One of its first successes was the 2008 launch of JOHNSON’S® Baby Long Protecting Cream, which addresses the dry skin that Chinese babies can experience in cold weather. The team used local market research, natural ingredients and a competitively priced 25-gram package to meet the needs of China’s emerging market.

TRAINING HEALTH CARE PROFESSIONALS

In other emerging markets, needs are more basic—the training that will allow health care professionals to provide the best possible care for the needs of the market.

For example, in 2008 a professional education center was established in Russia, where such education can impact care provided for cardiovascular disease, which causes just over half of all deaths in the country. In a unique partnership, Johnson & Johnson Medical Russia, along with Janssen-Cilag, worked with the Russian Ministry of Health to achieve a professional-education goal by creating the Russian Center for Professional Education in Kazan. The center has the capacity to train up to 3,000 physicians a year; two more training centers in Russia are being planned.

“By training health care professionals and increasing their knowledge of surgical procedures, we can impact the quality of care for patients,” says Alex Gorsky, Worldwide Chairman of Surgical Care, Johnson & Johnson. “The training approach we’ve enhanced over the years offers a model that we’re adapting across many of our medical devices and diagnostics companies.”

The Johnson & Johnson Vision Care Institute, LLC is providing important training and information for eye care professionals in 11 cities, including Shanghai, Dubai and Bangkok, and plans to continue its global expansion. Also, the Johnson & Johnson Diabetes Institute, LLC is active globally, launching in four markets last year. In all, Johnson & Johnson has more than 20 professional education centers around the world.

MOTHERS SHARING Onkita and Chasena are mothers who met online in BABYCENTER® India chat boards after the parenting site launched there in 2007. An example of how Johnson & Johnson considers market-specific needs, each BABYCENTER® site around the world uses local editors and medical experts to provide for its community’s needs.

is doing to build local capabilities in one of several important growing health care markets: China. Johnson & Johnson has had businesses and health care education activities in China for more than 20 years. More recently, the Company served as an official health care sponsor of the Beijing 2008 Olympic Games and Paralympic Games, adding to its community health programs support for the Olympic athletes and medical staff. The Johnson & Johnson Beijing Science Center, built in 2005 to

train medical professionals from the region, helped 80 Chinese physicians and 2,000 medical personnel prepare for the Games. It remains a functioning training facility, supporting the growing health care infrastructure in China.

“The Beijing 2008 Olympic Games was a great opportunity to enhance our reputation in China, help our businesses grow faster, build deeper relationships with the government and people of China, and make Johnson & Johnson

Distributing Hope & Help

At the same time that many people in emerging markets have a newfound sense of security and comfort, there are still many others who live in dire poverty and face insurmountable health care needs. Efforts such as our Tibotec Global Access Program offer hope and help.

In many emerging markets, the poor are disproportionately impacted by a range of infectious diseases that can be devastating in their effect on individuals and whole societies. Johnson & Johnson has a strong commitment to develop and provide access to infectious disease treatments for the developing world, as well as substantial philanthropy partnerships in developing countries.¹

For example, many of the more than 31 million people living with HIV/AIDS in the developing world are in need of antiretroviral therapies but have limited or no access to these medicines. Mindful of the HIV epidemic, our Tibotec subsidiary launched its Global Access Program in 2006. Activities currently target 20 priority countries in sub-Saharan Africa, where 75 percent of the world's AIDS-related deaths occurred in 2007, according to UNAIDS.

The program is designed to provide a sustainable source of our HIV/AIDS medicines for patients in these markets who need them. It generates neither profit nor loss for the company. We provide technical support and a royalty-free license to local generic manufacturers to make and deliver our second-line treatment, PREZISTA® (darunavir), at a price that is significantly lower than developed-world prices. We also provide education for health care professionals and work to get new compounds registered with regulatory authorities as quickly as possible.

“Our work is not about market share, competition or profit. It's about finding ways to address the needs of patients who are dying because they are not getting the drugs they need,” says Wlodek Kubiak, formerly Vice President, Worldwide Access Programs, Virology.

In addition to partnerships with generic manufacturers, Tibotec has developed a

medicine for the most common side effect of HIV/AIDS, oral thrush, and distributes it widely in Africa. Also, the company has given a royalty-free license and other support to the International Partnership for Microbicides to develop, manufacture and distribute one of our compounds as a vaginal microbicide to prevent HIV transmission in resource-poor countries.

Another of our companies, Transform Therapeutics, is working with the Gates Foundation's Grand Challenges project to develop product formulations that will make it possible to distribute heat-sensitive therapeutics, such as vaccines and some medicines, without refrigeration in developing countries.

Tibotec is also working toward a collaboration to enhance development, manufacturing and distribution of a tuberculosis compound. This will be the first new treatment in 40 years for multi-drug-resistant tuberculosis, a devastating problem in many developing countries.

“At Johnson & Johnson, patients are at the center of everything we do,” said Paul Stoffels, head of Research and Development for our Pharmaceuticals group and formerly a physician working in the Congo. “As we continue to forge new partnerships and engage in new collaborations, we never lose sight of our mission to care for the world, one patient at a time.”

AROUND THE WORLD We're focused on making life-changing, long-term differences in the prevention and treatment of HIV/AIDS. Our virology franchise continues to grow as we discover, develop and provide access to medicines like PREZISTA® (darunavir) and INTELENCE™ (etravirine), as well as new medicines for TB and other diseases. And our involvement in community-based programs, such as mothers2mothers in South Africa, continues to touch lives—like those of Kangelana and her son. Learn more at jnj.com/ourstories.

¹ See www.jnj.com/connect/caring/corporate-giving.





Business Performance

MANAGEMENT OVERVIEW

The economic success of Johnson & Johnson depends upon our track record of capitalizing on opportunities as well as addressing potential risks. The stories on pages 26 to 29, “A Focus on Wellness & Prevention” and “Developing New Markets,” give readers a sense of two exciting opportunities for growth.

We also recognize that our economic performance can be impacted by marketplace, economic, environmental, social, political, financial and other risks. Some of these risks can be modulated by the company, but others, such as macroeconomic conditions, are not easily influenced.

Still, we have robust approaches at multiple levels of the Company for managing risks. Legal, financial, operational, compliance and reputational risk are led by individuals at the highest levels of the enterprise. The Company also employs multiple checks and balances within the organizational units.

Our strong risk management systems have enabled Johnson & Johnson to deliver solid growth through all types

of economic cycles while also maintaining our triple-A credit rating.

Our annual report contains significant details of our financial performance. Information summarized here addresses economic indicators included in the Global Reporting Initiative, such as the financial implications of climate change, potential risks to meeting defined benefit plan obligations and local hiring practices.

RISKS DUE TO CLIMATE CHANGE

We have evaluated the risks posed to the organization by climate change as part of our involvement in the Carbon Disclosure Project (CDP). We believe regulatory risks could include increased energy costs due to taxes and renewable-energy directives; increased costs associated with tracking and managing climate change issues; and costs associated with increased investment in CO₂ reduction projects. These impacts are not anticipated to be material to the cash flow of Johnson & Johnson, as our

businesses are not energy-intensive.

The most potentially significant physical risk to our business resulting from climate change in the next decade is an extreme weather event that could result in the closing of a manufacturing facility, disruption of the supply chain or loss of finished product inventory. Given our geographic distribution, our Puerto Rico operations appear to be at the highest risk for this possibility.

We have evaluated increases of up to 100 percent of total energy costs for all facilities worldwide. The cost of energy as a percent of sales has been used as an indicator of business impact. We do not have data to identify embedded energy costs throughout our business, but based on those for which we have direct control, we estimate that the total cost is no more than 2 percent of sales. A doubling of energy costs for all direct and embedded energy would represent 4.0 percent of sales. We do not consider this to be a significant financial risk to the company.

Based on our energy-

reduction efforts in place since 1975, we feel we have an excellent energy-efficiency profile and are well-positioned to compete in an energy- and carbon-constrained economy.¹

DEFINED BENEFIT PLAN OBLIGATIONS

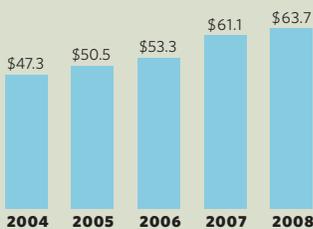
The structure of retirement plans offered to employees is in the form of a defined benefit plan (a Pension Savings Plan) and other benefits, including a voluntary 401K.² Johnson & Johnson maintains a trust to meet the pension plan liability. At the end of fiscal year 2008, the projected benefit obligation was \$11,923 billion, and the fair value of the assets equaled \$7,677 billion, for a shortfall of \$4,246 billion. Discretionary contributions are made when deemed appropriate to meet the long-term obligations of the plans.

The voluntary 401K—a

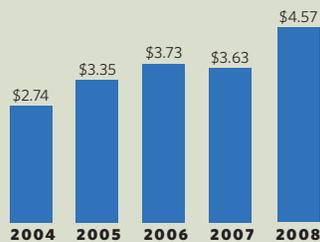
¹For more information, see our information on the CDP website at www.cdproject.net.

²For additional information on our financial performance, see www.investor.jnj.com/annual-reports.cfm.

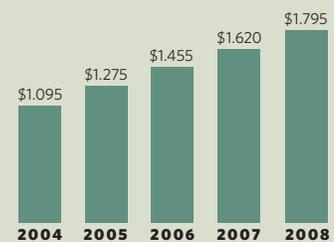
NET SALES
(in billions of dollars)



DILUTED EARNINGS PER SHARE
(in dollars)



DIVIDENDS PAID PER SHARE
(in dollars)



BUSINESS PRIORITIES



TRACK RECORD OF PERFORMANCE



ECONOMIC INDICATORS	UNIT	2006	2007	2008
Sales	U.S. dollars, millions	53,324	61,095	63,747
	Percent change over previous year	5.6	14.6	4.3
Net earnings	U.S. dollars, millions	11,053	10,576	12,949
	Percent change over previous year	9.9	(4.3)	22.4
Share price (end of calendar year)	U.S. dollars	66.02	67.38	58.56
Operating companies	Number, approximate	200	250	250
Employees	Number, approximate	122,200	119,200	118,700
	U.S. dollars, millions	7,125	7,680	7,577
Research & development	As percent of sales	13.4	12.6	11.9
	Percent of income	24.2	20.4	23.5
Effective income tax rate	U.S. dollars, billions	1.9	2.7	2.9
	As percent of sales	3.6	4.4	4.5
Advertising costs	U.S. dollars, millions	544.8	509.9	510.3
	As percent of pre-tax income	3.7	3.8	3.0

defined contribution plan—is based on a minimum of 2 percent up to 6 percent employee contribution from each paycheck, matched at 75 percent by the employer. There is no standing obligation, as the obligation is met each pay period once the funds are disbursed into the 401K trust. Our participation rate in

the 401K plan at the end of 2008 was 97 percent.

Our participation rate for the U.S. Pension Plan is 100 percent—all employees who are eligible (age 21 with at least one year of service) participate, since the Plan is provided at no cost to our employees. Outside the United States, pension plan offerings vary and do not exist

in all countries. Our ability to report on plan participation outside the United States is limited.

For more information, see Note 13 and page 58 of our 2008 annual report at www.investor.jnj.com/annual-reports.cfm.

HIRING LOCALLY
In a global, decentralized

business, hiring locally helps us best meet customer needs. Each subsidiary within our business segments is, with some exceptions, managed by citizens of the country where it is located. Likewise, our operating companies hire from the communities in which we do business.

CASH CONTRIBUTIONS

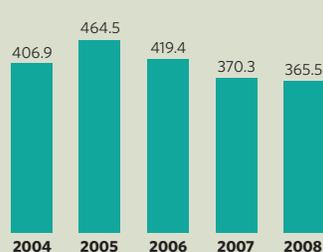
(\$U.S. in millions)

■ CORPORATE
■ U.S. OPERATING COMPANIES
■ INTERNATIONAL OPERATING COMPANIES

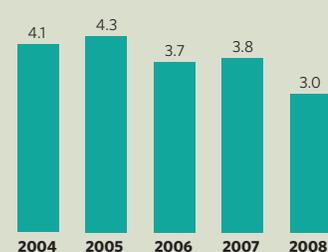


NON-CASH CONTRIBUTIONS

(\$U.S. in millions)



TOTAL GIVING AS A PERCENT OF WORLDWIDE PRE-TAX INCOME



Selected Recognitions

MOST ADMIRED COMPANIES, 2008, 2009

Fortune magazine recognized Johnson & Johnson as fifth in its 2009 global ranking of corporate reputations. In 2008, Johnson & Johnson was ninth on the American list and seventh for Global.

THE WORLD'S MOST REPUTABLE COMPANIES, 2008, 2009

The Reputation Institute ranked Johnson & Johnson as the second most reputable company in the U.S. and the fifth most reputable company in the world. For 2009, Johnson & Johnson is ranked first in the U.S. and third globally.

WORLD'S MOST RESPECTED COMPANIES, 2008, 2009

The financial weekly *Barron's* conducts an annual survey of institutional investors, rating the 100 largest public corporations based on market capitalization in order of the respect they have garnered from these institutions. Johnson & Johnson was ranked first on this list for the second year in a row.

TOP 10 COMPANIES FOR EXECUTIVE WOMEN, 2008

DiversityInc magazine ranked Johnson & Johnson No. 1 on this list, recognizing our Women's Leadership Initiative, now in its 13th year.

TOP 10 COMPANIES FOR WOMEN EXECUTIVES, 2008

The National Association for Female Executives selected Johnson & Johnson as one of the Top 10 Companies for Women Executives.

MOST ADMIRED U.S. COMPANIES, 2009

In a study by Harris Interactive, Johnson & Johnson has the best corporate reputation among U.S. companies.

100 BEST COMPANIES FOR WORKING MOTHERS, 2008

Working Mother magazine again named Johnson & Johnson to this list, which we have been included in every year since the list was launched 23 years ago. It recognizes our family-friendly policies for flexible work, child care, maternity and paternity leave, elder care and other programs and services.

TOP 50 COMPANIES FOR DIVERSITY®, 2008, 2009

This *DiversityInc* list is based on CEO commitment, human capital, corporate communications and supplier diversity. Johnson & Johnson was ranked eighth overall in 2008 and first in 2009.

BEST PLACES TO WORK FOR GAY, LESBIAN, BISEXUAL AND TRANSGENDER EQUALITY, 2009

For the fourth year, Johnson & Johnson earned the top rating of 100 percent in this annual survey administered by the Human Rights Campaign Foundation. The Equality Index recognizes employer treatment of gay, lesbian, bisexual and transgender employees and consumers.

SODALITAS SOCIAL AWARD, BEST SUSTAINABILITY INITIATIVE, 2008

Johnson & Johnson Italy received this National Award, which recognizes the best social responsibility projects from companies operating in the Italian market. We were particularly cited for our *Healthy Planet 2010* goals, Energy Week and the International Day of Energy Saving programs.

OUTSTANDING CORPORATE CITIZEN, 2008

America's Blood Centers issued its first-ever Outstanding Corporate Citizen seal to Johnson & Johnson in celebration of National Blood Donor Month.

MOST SOCIALLY RESPONSIBLE COMPANIES, 2008

The Boston College Center for Corporate Citizenship honored Johnson & Johnson as the third most socially responsible company according to an analysis of data collected in the Reputation Institute's 2008 Global Pulse Study.

MOST ADMIRED PHARMACEUTICAL COMPANIES, 2008

Med Ad News, the pharmaceutical business and marketing magazine, recognized Johnson & Johnson as its most Admired Pharmaceutical Company.



BENJAMIN FRANKLIN AWARD FOR PUBLIC DIPLOMACY, 2008

The U.S. State Department recognized Johnson & Johnson as the first corporate recipient of this award for our work with the Safe Kids Worldwide® program. The Company was a founding sponsor of the program in 1987.

DOW JONES SUSTAINABILITY INDEX, NORTH AMERICA, 2008

Johnson & Johnson stock has been included in this index since 2000. The DJSI family follows a best-in-class approach to identify sustainability leaders in each industry.



GENERATING GREEN POWER Ibrahim Khadra, Staff Engineer with Global Pharmaceutical Supply Group, LLC, Worldwide Engineering, led a project to build a biomass boiler that uses woodchips from sustainable forests to fuel operations at Centocor Biologics (Ireland), reducing the facility's CO₂ emissions and replacing natural gas. See Facility of the Year, below.

AWARD FOR BUSINESS EXCELLENCE, 2008

The Global Business Coalition (GBC) recognized Johnson & Johnson as the recipient of the 2008 GBC Award for Business Excellence. Johnson & Johnson partnered with mothers2mothers (m2m) in South Africa to provide comprehensive services for preventing mother-to-child transmission of HIV.

ACCESS TO MEDICINE INDEX, 2008

Johnson & Johnson was ranked eighth on this new index from the Access to Medicine Foundation, designed to assess pharmaceutical company efforts to provide global access to medicine.

STANDARD & POOR'S NEW U.S. CARBON EFFICIENT INDEX, 2008

Johnson & Johnson made Standard & Poor's new U.S. Carbon Efficient Index, made up of large-cap companies that have lower carbon footprints when compared to the overall S&P 500. Through 2008, the Carbon Efficient Index had an average annual carbon footprint that was 48 percent lower than that of the S&P 500.

FTSE4GOOD INDEX, 2008

Johnson & Johnson has been independently assessed according to FTSE4Good criteria and has satisfied the requirements to become a constituent of this index, which identifies companies that meet globally recognized corporate responsibility standards.

SAFETY PERFORMANCE AWARD, GOLD CLASS 1, 2008

The Malaysian Society presented this award to Johnson & Johnson Malaysia for Occupational Safety and Health. It is the fifth consecutive year the facility has been recognized for its excellent safety performance.

CEO CANCER GOLD STANDARD™ AWARD, 2008

Johnson & Johnson is one of only 13 companies that have fully satisfied the CEO Roundtable on Cancer's requirements for cancer-related practices. The Roundtable was formed to make continual progress on the elimination of cancer. Our CEO, William C. Weldon, chairs it.

TOP 50 HYBRID FLEETS, 2008

Automotive Fleet Magazine recognized Johnson & Johnson Services, Inc. as the No. 1 Top Commercial Fleet with 20.1 percent hybrid vehicles in 2008. The number of hybrid vehicles in the Company's fleet increased 36 percent from the previous year.

FACILITY OF THE YEAR, 2009

ISPE, INTERPHEX and *Pharmaceutical Magazine* recognized Centocor Biologics (Ireland) as its category winner in Sustainability for 2009 Facility of the Year. Centocor Biologics (Ireland) was chosen from a field of 20 state-of-the-art facilities in 12 countries.

WALL STREET JOURNAL ASIA 200 SURVEY, 2008

Johnson & Johnson was ranked 17th among all companies and was the top health care company among the leading 200 businesses in Asia. Rankings were determined by hundreds of business leaders, who evaluated companies based on their innovation, long-term vision, quality, corporate reputation and financial reputation specifically with regard to their presence in Asia.

TELL AWARD, 2008

Johnson & Johnson was presented with the Tell Award for its long-term presence and continued expansion in Switzerland. This award acknowledges the continued commitment of Johnson & Johnson to Swiss economic growth.

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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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