

# Our Responsibility

2009 SUSTAINABILITY REPORT



# About This Report

Presented here are the significant social, environmental and economic activities and progress of Johnson & Johnson as of December 2009.

This is our seventh report against the triple bottom line of sustainability and our 13th year of reporting environmental progress.

In preparing this report, we considered feedback from our contact mailbox ([responsibility@its.jnj.com](mailto:responsibility@its.jnj.com)), the social investment community, non-governmental organizations, multiple stakeholders and senior company leadership.

## SCOPE AND BOUNDARY

We recognize that this report may not fully satisfy the informational goals of its primary audience, our external stakeholders. We are conducting a materiality assessment that will help us better understand our stakeholders' interests and guide our communication and our responsibility efforts. Meanwhile, we are creating a website to increase access to information about our responsibility approach and performance. We share progress internally through a variety of other mechanisms, including employee communications and intranet sites.

This report has been informed by the Global Reporting Initiative's 2006 Sustainability Reporting Guidelines (G3 Guidelines). We have considered environmental, health, safety, social and economic programs and performance. And we have included topics identified as important to our business and industry sector, based on internal and external review and discussions conducted for this purpose. An index with references to G3 indicators appears at the end of this report.

Data and information presented here represent facilities operated by the Johnson & Johnson Family of Companies, with the exception of environmental data,

which reflects only manufacturing and research and development, and carbon dioxide emissions data, which reflects all owned and leased facilities. External manufacturing is not included in any of our data. As we engage further with our supply chain on sustainability topics, additional information on these efforts will be incorporated.

Changes during the reporting period were a result of previously announced restructuring activity as well as acquisitions and divestitures. Divestitures in 2009 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 Note 20 (Business Combinations and Divestitures) in our 10-K Annual Report, available on our website at [www.investor.jnj.com/governance/sec-filings.cfm](http://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.

## FEEDBACK AND FURTHER INFORMATION

We invite your comments on our sustainability activities and this report. E-mail us at [responsibility@its.jnj.com](mailto:responsibility@its.jnj.com).

**ON THE COVER** Achal Gupta is at the foothills of the Himalayas, a short drive from the Johnson & Johnson facility in Baddi, India, where he works. "As a moral and responsible corporate citizen in India, we are committed to conserving water and to leading by example," says the manager of Environment, Health and Safety. "We have to be careful to use water thoughtfully and to protect its supply for future generations." Find out more about our water management and conservation on page 23. Achal's story is available on [www.jnj.com/OurCaring/OurStories](http://www.jnj.com/OurCaring/OurStories).

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# Message From the Chairman



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

It is not enough to have a written guide to our responsibilities. Rather, we must thoughtfully act to carry out those responsibilities each and every day if we are to achieve the impact we should have on the health care concerns that matter most to our stakeholders and businesses.

When we speak about Our Credo, we use the word *responsibility*, but it is the root of that word that reflects the urgency and importance of the work we do ... *response*. Our day-to-day work is about our response to the unmet needs of our patients and customers; our response to the needs of our colleagues; our response to supporting the global communities in which we live and work; and our response to the call for research and innovation in health care.

In our business of health care, we are inspired and united by a common purpose: to care for the health and well-being of the people we serve around the world. Caring drives the people of Johnson & Johnson in our aim to make the world a better and healthier place through everything we do. It is core to our business strategy and initiatives, the programs and partnerships we build, the positions we take on public policy issues, and our care for the environment. Our Credo helps to remind

us of our priorities, and we believe it comes to life through the character and actions of the people across our Family of Companies.

As you will read in the following pages, the passion and commitment of our people yield innovations that further minimize our impact on the planet, drive new alliances to address major health challenges in developing and developed countries, and help to create economic opportunity for people.

This year, our featured topics highlight our efforts in areas important to our stakeholders, such as:

- A landmark collaboration to accelerate discovery and development of new drugs to treat tuberculosis, one of the world's

oldest and most deadly diseases

- How we are making a greater impact in sustainable sourcing and procurement across our network of suppliers and manufacturers
- Our work to implement greener building design, including completion of our first Leadership in Energy and Environmental Design (LEED) Gold-certified research laboratory
- How we are setting actions and plans across our businesses to manage for sustainable growth
- Our role in making good health care available throughout the world

Our 2009 Successes and Challenges are presented on page 3. Performance against indicators and goals is presented in designated sections of the report, and a data summary chart is provided at the back of the book.

## **FACING OUR CHALLENGES**

Like many companies, we faced a difficult year in 2009, which was marked by significant patent expirations, unprecedented economic pressures and

an increasingly competitive marketplace. Our Credo keeps us focused on how we must work to address our challenges and compels us to ensure that we hold ourselves to the highest standards.

The series of product recalls in our McNeil Consumer Healthcare business was a disappointment to us. As we continue to work with the FDA, we are driven by a steadfast commitment to address the conditions that led to these recalls. There is still much work ahead, but we will do everything necessary to bring McNeil quality to the level that consumers expect of us, and that we expect of ourselves.

#### IDENTIFYING MATERIAL ISSUES

In the past year, we have initiated a new assessment of issues that are important to our Company and of interest to our stakeholders. The goal is to better understand those issues that are material to our business. We continue to seek input from partners and stakeholders and compare this feedback with the issues that will have the most substantive effect on our business strategy or pose the most significant impact to us in the next three to five years—issues such as the quality and safety of our products, and access to and affordability of health care around the world. Next we will prioritize our main challenges and develop targets for the next year and goals for future years.

#### GOAL-SETTING AND REPORTING

Our goal-setting and reporting continue to evolve amid our materiality assessment, changes in our organization and changes in the health care landscape.

For more than two decades, Johnson & Johnson has been setting formal sustainability goals in five-year cycles. Within each cycle, we assess progress against these goals, develop new targets and consider goals in additional areas.

We continue to make progress against our goals, which aim to make a progressively

positive impact. These include efforts focused on the environment such as emissions, waste and water reduction. For example, our investments in renewable energy reduced CO<sub>2</sub> emissions from our worldwide facilities by 15.9 percent in 2009 compared to 1990. In 2009, energy from renewable sources accounted for 39 percent of our energy use. Installation of more solar power at several facilities in the next year will help drive down our impacts even further.

Through our *Healthy People* and *Safe People* goals, we strive to continually improve in areas such as injury prevention and ergonomics, vehicle safety and employee wellness and disease prevention. We continue to invest in efforts to improve the health and well-being of our employees and their families and provide the safest, most productive work environment possible.

This year we are articulating our aspirations for the next five years. Our *Healthy Future 2015* goals will build on our current goals while incorporating issues considered material for Johnson & Johnson. We have begun a systematic outreach to stakeholders and sustainability experts for input in a variety of areas. This invaluable input is helping to shape our new goals, which will launch in January 2011.

Our strongest goal setting and reporting has traditionally been in the area of environmental performance. In our 2008 report, we acknowledged that we had more to do to provide greater depth and breadth of information, especially in areas beyond our environmental reporting. We continue to make strides with this report. We also plan to launch a new website focused on the Company's environmental, social, governance and economic responsibility efforts. Over time, this site will become core to our stakeholder engagement and transparency efforts.

#### THE ROAD AHEAD

We are proud of our 2009 accomplishments, but we recognize there is a great deal more to do. In the near term, we continue to assess what more we can do across our business segments, our supply chain and together with partners, including governments, other companies and social and environmental non-governmental organizations.

The people of Johnson & Johnson remain committed to living up to the responsibilities laid out in Our Credo. As our Company approaches our 125-year milestone, improving human health and well-being is still our crucial mission and the ultimate measure of upholding our responsibility now and for generations to come.



William C. Weldon  
Chairman, Board of Directors,  
and Chief Executive Officer

August 1, 2010

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 January 3, 2010. Copies of this Form 10-K, as well as subsequent filings, are available online at [www.sec.gov](http://www.sec.gov), [www.jnj.com](http://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.

## OUR 2009 SUCCESSES

### SOCIETY

- Continued to develop what could be the first new medicine in nearly 40 years to fight tuberculosis. When it is approved, a royalty-free license will make the drug available at low cost in developing countries. (Story on page 10.)
- Over the past 24 months, the Johnson & Johnson Patient Assistance Foundation, Inc. provided more than 1.7 million units of medicine to over 300,000 patients.
- Contributed \$588.1 million in cash and products toward nearly 650 philanthropic programs in more than 50 countries, impacting tens of millions of lives worldwide.
- Was a founding sponsor of text4baby, a program that aims to reduce infant mortality by providing health information and resources via text messages to expectant women and new moms. (See page 14.)
- Announced support for the Physician Payments Sunshine Act of 2009 and will begin voluntary disclosure of payments to physicians. Disclosure by our U.S. Pharmaceutical companies will begin in 2010 and by our Medical Devices and Diagnostics companies by 2011.
- Began a materiality assessment to help identify matters that could affect our ability to execute our business strategy and the degree to which our Company can impact them.

### ENVIRONMENT

- Reduced CO<sub>2</sub> emissions from our facilities worldwide by 15.9 percent vs. 1990 and generated 39 percent of our energy from renewable energy sources—a total of 1,460 GWH.
- Opened a state-of-the-art research facility in Spring House, Pa., that achieved the first LEED Gold certification for a Johnson & Johnson laboratory facility. (See page 20.)
- Established a corporate policy mandating that all new construction projects be LEED-certified. Additionally, we are certifying existing buildings using LEED requirements, including our world headquarters in New Brunswick, N.J.
- Continued encouraging our suppliers to join the Carbon Disclosure Project's Supply Chain program; by the end of 2009, more than 80 percent of those we approached have chosen to participate.

- Assessed more than 85 percent of our 700 external manufacturers against our *Standards for Responsible External Manufacturing*. Our goal is to assess 100 percent by the end of 2010.
- Made progress in meeting our *Healthy Planet 2010* and *Healthy People 2012* goals. (See page 35 and page 16, respectively.)

### ECONOMIC

- Strengthened core businesses and invested in the launches of a number of newly approved innovative products. Invested another \$7 billion in R&D.
- Emerged from 2009 stronger than we were a year earlier, with outstanding new products, robust pipelines and talented people working in a streamlined organization with more resources for growth.
- Advanced pipelines through internal development and continued to acquire, invest in and collaborate with other companies to generate new platforms for growth. From 2008 through 2009, made eight major acquisitions and invested in several strategic transactions. (See page 12 for details.)
- Expanded our global presence, including building operations and enhancing our reach in the BRIC countries – Brazil, Russia, India and China—and other fast-growing developing markets.
- Participated in shaping health care reform legislation in the U.S. and in shaping health care policy around the world, in keeping with our vision (see story on page 28.)
- Initiated Sustainability Councils to coordinate sustainability practices and efforts across our businesses in areas such as marketing, packaging, product stewardship, emerging issues and occupational safety.
- Created the Procurement Sustainability Initiative to leverage the purchasing power of Johnson & Johnson and drive sustainable business practices through our supply chain.

## OUR CHALLENGES

### SOCIETY

- Continued to extend our ethical, quality and corporate citizenship standards to our external suppliers.
- Continued to implement mechanisms to address contractor safety, such as our revised *Contractor Management Standard* and

associated contractor safety guidelines.

- Conducted a series of product recalls in our McNeil Consumer Healthcare business and began work to address the conditions that led to them.
- Engaged with the U.S. FDA on reducing the potential for overdose with acetaminophen, the active ingredient in **TYLENOL®** brand products.

### ENVIRONMENT

- Working with government, industry and other partners, continued to assess and manage the risks and concerns related to the impact of pharmaceuticals and personal care products in the environment.
- Continued to study the issue of fleet vehicle emissions, which increased slightly despite our efforts to replace less fuel-efficient vehicles, establish efficiency standards and add hybrids and alternative-fuel vehicles.

### ECONOMIC

- Initiated a restructuring effort to ensure sustainable growth. This included the elimination of approximately 7,500 positions, by far the most difficult decision of 2009. However, our actions will increase efficiency and make additional resources available for investment in long-term growth platforms and new product launches.
- Faced various worldwide health care changes that may continue to result in pricing pressures, including health care cost containment and government legislation relating to sales, promotions and reimbursement.
- Took steps to reduce the impact of growing counterfeit activity worldwide on patients and consumers.
- Started developing effective approaches for assessing the value of our innovations in a health care environment characterized by a focus on comparative effectiveness.
- Mounted efforts to protect our intellectual property rights as challenges increased from the marketplace and at a policy level.

# Overview of Our Responsibility

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. Employees of the Johnson & Johnson Family of Companies work with partners in health care to touch the lives of over a billion people every day throughout the world.

With \$61.9 billion in 2009 sales, Johnson & Johnson is the world's most comprehensive and broadly based manufacturer of health care products, as well as a provider of related services for the consumer, pharmaceutical and medical devices and diagnostics markets. Our more than 250 Johnson & Johnson operating companies employ approximately 114,000 people in 60 countries throughout the world.

We have been listed on the New York Stock Exchange since 1944 under the symbol JNJ. Our worldwide headquarters is in New Brunswick, New Jersey, USA.

For further information about Johnson & Johnson, go to [www.jnj.com](http://www.jnj.com).

## OUR PHILOSOPHY

At the foundation of our business is a fundamental commitment to Our Credo, which was written in 1943 and established the business values and philosophy that guide all our operating companies worldwide. Our Credo puts patients and customers first, followed by our employees, our communities and our shareholders.

With Our Credo as a foundation, our long-standing operating model has four simple concepts: being broadly based in human health; managing our business for the long term; taking a decentralized management approach; and focusing on our people and values. Our Company has set four priorities to focus the entire enterprise on key drivers of growth: innovative products, robust pipelines, global presence and talented people.

## OUR BUSINESSES

Our Family of Companies comprises:

- The world's premier consumer health care company and fifth largest consumer company
- The world's largest and most diverse medical devices and diagnostics company
- The world's fourth largest biologics company and eighth largest pharmaceuticals company

The Consumer segment includes a broad range of consumer health and personal care products in the beauty, baby, oral care and women's health categories, as well as the world's No. 1 over-the-

counter medicines business and a wellness and prevention business.

The Medical Devices and Diagnostics segment focuses on technologies, solutions and services in the fields of cardiovascular disease, diabetes care, orthopaedics, vision care, wound care, aesthetics, sports medicine, infection prevention, minimally invasive surgery and diagnostics.

The Pharmaceuticals segment's broad portfolio includes products in the anti-infective, antipsychotic, cardiovascular, contraceptive, dermatology, gastrointestinal, hematology, immunology, neurology, oncology, pain management, urology and virology fields.

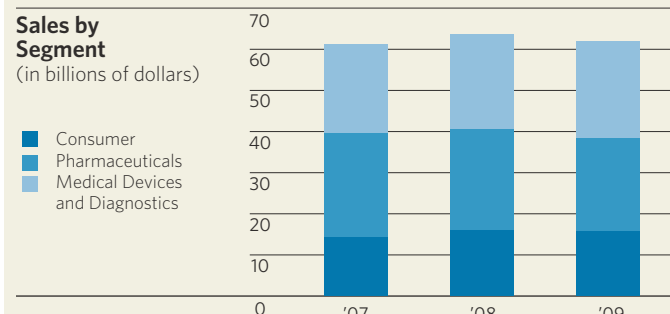
Details can be found under Our Products on [www.jnj.com](http://www.jnj.com). Our website also contains a list of our operating companies, under Our Company/Company

Structure. More information on products and sales, and a listing of subsidiaries as of December 2009, can be found in our 10-K Annual Report at [www.investor.jnj.com/governance/sec-filings.cfm](http://www.investor.jnj.com/governance/sec-filings.cfm).

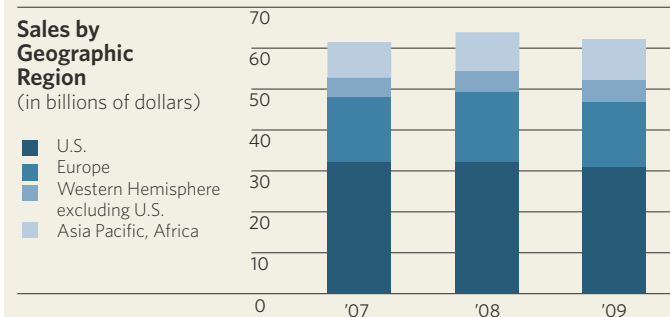
In addition to our own facilities, we currently utilize approximately 700 external manufacturers.

## OUR CITIZENSHIP

At Johnson & Johnson, we strive to be exemplary corporate citizens, working with others to address important social issues. We aim to make the world a better and healthier place through everything we do—the products we discover and develop, the positions we take on public policy issues, our care for the environment, the way we run our business every day, and the programs and alliances we build and join. Our approach



The five-year compound annual growth rates for worldwide, U.S. and international sales were 5.5%, 2.2% and 9.6%, respectively. The ten-year compound annual growth rates for worldwide, U.S. and international sales were 8.5%, 7.1% and 10.1%, respectively.



Sales in Europe experienced a decline of 5.1%, including operational growth of 2.1% and a negative impact from currency of 7.2%. Sales in the Western Hemisphere (excluding the U.S.) experienced a decline of 0.3%, including operational growth of 8.8% and a negative impact from currency of 9.1%. Sales in the Asia-Pacific, Africa region achieved growth of 4.6%, including operational growth of 4.4% and an increase of 0.2% related to the positive impact of currency. In 2009, 2008 and 2007, the Company did not have a customer that represented 10% or more of total consolidated revenues.

2009 results benefited from the inclusion of a 53rd week in our fiscal year. For annual closing date details, see Note 1 to the Consolidated Financial Statements in our 2009 Annual Report.



to corporate citizenship defines who we are and how we aspire to act in the world.

Our primary focus is on making life-changing, long-term differences in human health by targeting the world’s major health-related issues. We work to fulfill this and other philanthropic efforts through community-based partnerships. In 2009, Johnson & Johnson contributed \$588.1 million in cash and products toward 650 philanthropic programs in more than 50 countries.

Johnson & Johnson has had environmental goals in place for more than 15 years, setting new long-term goals every five years. We have significantly reduced the environmental impacts of our operations and our products. Performance against our environmental goals can be found on pages 22–25 and 34–35.

GOVERNANCE

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

Our *Policy on Business Conduct* sets expectations that all employees will comply with all laws and regulations governing our company’s behavior, including those in the areas of employment, environment, relationships with health care practitioners, financial reporting and political contributions. Senior managers attest to adherence annually, including the chief executive officer, chief financial officer and controller. The *Policy on Business Conduct* meets the requirements of the Securities and Exchange Commission rules promulgated under Section 406 of the Sarbanes-Oxley Act of 2002.

*Principles of Corporate Governance*, adopted in 2006, applies to directors and senior management, whose ethical character, integrity

and values are considered the most important safeguard of corporate governance. These principles lay out, among other things, the processes in place to ensure that conflicts of interest are avoided; accurate and timely information is available; and sufficient time, 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.

In addition, the Company has adopted a *Code of Business Conduct & Ethics for Members of the Board of Directors and Executive Officers*. Beyond these broad policies, the Company implements and ensures compliance with numerous other voluntary policies and applicable laws and regulations related to social, environmental and economic performance.

MANAGEMENT STRUCTURE

William C. Weldon is chairman of the Board of Directors and chief executive officer, Johnson & Johnson. Qualifications for the Board of Directors are laid out in our *Principles for Corporate Governance*, available on our website. Members of our Board of Directors, elected by our shareholders each year, meet a set of general criteria for membership.

We currently have 11 Board members, 10 of whom are “independent” under the rules of the New York Stock Exchange. Our Board holds the ultimate authority of our Company, except to the extent those shareholders are granted certain powers under the Company’s Certificate of Incorporation and By-Laws. The Board appoints senior management responsible for conducting business and operations, provides oversight of management and forms standing Board committees to



**SETTING EXPECTATIONS** Throughout the world our *Policy on Business Conduct* sets expectations that all employees will comply with all laws and regulations governing our Company’s behavior. The policy is considered in selecting topics for employee training, such as this session in Tokyo, in which Manabu Hirano, Human Resources & Administration Vice President, Johnson & Johnson K.K. Consumer Company, and colleagues are participating.

assist in fulfilling its obligations. A complete list of our Board of Directors is available on our website at [www.investor.jnj.com/governance/committee.cfm](http://www.investor.jnj.com/governance/committee.cfm).

The Board of Directors has six standing committees: the Audit Committee, Compensation & Benefits Committee, Nominating & Corporate Governance Committee, Finance Committee, Public Policy Advisory Committee and 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 Company positions on public policy issues facing the Company, public health issues, the health and safety of employees, the environment and other issues pertinent to our social, environmental and economic performance. The PPAC is composed of independent directors; the Company’s general counsel; and vice presidents for Corporate Affairs, Government Affairs and Policy, and Worldwide Operations.

The Executive Committee

is the principal management group responsible for operations and the allocation of Company resources. In addition, certain Executive Committee members serve as worldwide chairmen of Group Operating Committees (GOC), which are composed of managers who represent key operations within the group, as well as management expertise in other specialized functions. The Corporate GOC ensures performance and fiscal accountability for each corporate function, while other GOC 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 in which it is located.

Our governance structure also includes Corporate Internal Audit; an independent auditor, Pricewaterhouse Coopers, LLP; the Audit Committee of our Board of Directors; and regular review of business results by our Executive Committee.

## STAKEHOLDER ENGAGEMENT

Johnson & Johnson engages with a broad range of stakeholders on health and health care, business and the economy, and social and environmental issues. We strive to reflect the guidance and wisdom of diverse customer, employee, community and shareholder groups in our actions and in our policies on an ongoing basis, at all levels of the Company. In 2009, we increased our efforts to gather information from and engage in more meaningful ways with our stakeholders. See related story on page 8.

### Customers

We are continually expanding the ways in which we obtain feedback from all who use our products and services, including consumers, doctors and hospitals. We use a variety of methods, including feedback forms, website links, social networking sites, e-mail, conventional mail, customer surveys, market research and customer call centers. Each of our businesses maintains a website with contact information, accessible from our corporate website. In addition, we seek to engage



**CONSIDERING CUSTOMERS** Staff scientist Annabelle Gallois works to develop models that can help optimize contact lens users' experience. It's one way of considering our customers' needs.

stakeholders through our corporate blogs, JNJBTW (By the Way) and the Kilmer House blog.

### Employees

Our Credo survey provides direct insight into employees' opinions on a wide range of issues relative to our business. We completed a survey in

June 2010 with a 95 percent response rate. Each operating company receives its results and develops an action plan to address them.

### Community

We foster and maintain ties to the communities in which we live and operate, the customers who purchase our products and the doctors and nurses who use them. Each group is unique, with its own concerns and issues, and our interactions with them are just as varied. Details about our interactions with some of these groups is included in this report and on our website. We continue to work to solicit the input of our communities and to expand the information we provide.

### Shareholders

Shareholder inquiries and proposals are encouraged and should be directed to the attention of the Secretary at the principal office of the Company, One Johnson & Johnson Plaza, New Brunswick, NJ 08933.

## TRANSPARENT & ETHICAL BEHAVIOR

Our Credo, our *Policy on Business Conduct* and our *Health Care Compliance Guidelines* guide employees to conduct Company business to the highest ethical standards.

Training on Our Credo and the *Policy on Business Conduct* is made available to employees worldwide in 16 languages. We estimate that this covers the language needs of more than 90 percent of our worldwide employees. The training provides information on Johnson & Johnson policies regarding conflicts of interest as well as compliance with laws and regulations. Training on the U.S. Foreign Corrupt Practices Act is provided to employees outside the United States. Employees are also asked to refresh their education in these areas every two years, and successful completion is recorded. Specific training on health care laws and regulations applicable to our businesses is undertaken through an extensive network of compliance officers throughout our worldwide business.

Johnson & Johnson maintains a hotline program for employees, accessible by telephone or online at [www.credohotline.com](http://www.credohotline.com), and also accessible for non-employees, customers and vendors of the Johnson & Johnson Family of Companies to report any concerns. Global Compliance Services, Inc. operates the confidential hotline, 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.

The importance of transparency continues to grow for many of our stakeholders, and we are committed to providing open and accurate information. As part of our

**TRACKING DETAILS** Robert Davis is one of many employees involved in manufacturing products in our facilities. An important aspect of his job is to log details during the manufacturing process as part of quality assurance.





*Healthy Planet 2010* goals, each facility shares information on its environmental performance via a link on our website. Information on our financial support for professional medical education and charitable contributions made by our U.S. Pharmaceuticals and Medical Devices and Diagnostics operating companies is also available online. The U.S. pharmaceutical companies of Johnson & Johnson began voluntarily providing information on their websites about the payments they make to physicians in 2010. Reporting will expand to include U.S. Medical Devices and Diagnostics units and will reflect the general provisions of the Physician Payment Sunshine Act by June 30, 2011. Our companies also register and provide results of their clinical trials online, regardless of outcome.

Recently, the U.S. Justice Department charged Johnson & Johnson with paying kickbacks to Omnicare, Inc., a nursing home pharmacy company, to boost sales of Johnson & Johnson drugs to nursing home patients. We take these allegations very seriously and are eager to get the facts aired in court and eventually into the public domain. The types of programs that are the subject of the government's charges provide rebates that reduce the cost of medicines. Rebates are a standard practice in the health care industry and have been used widely by governmental and private payers. We believe the Company's rebate programs have been and remain lawful and appropriate.

#### **POLITICAL CONTRIBUTIONS**

Johnson & Johnson posts a list of all U.S. political contributions to our website. (See [www.investor.jnj.com/governance/contributions.cfm](http://www.investor.jnj.com/governance/contributions.cfm).) In 2009, we made contributions of \$1.1 million to political

parties and related institutions in the U.S.

#### **PUBLIC POLICY/LOBBYING**

Johnson & Johnson has advocated for a variety of important policy positions before governments. Around the world we consistently lobby for enhancement to health care systems, as reflected in our document *The Promise of Health Care*. We also monitor and engage on business policies, as well as a range of emerging scientific issues such as green chemistry and product stewardship. We have supported climate change legislation to reduce greenhouse gases.

In the U.S. we have advocated for passage of the State Children's Health Insurance Program (SCHIP), enhancing access for the uninsured, preserving and creating jobs, enhancing infrastructure under the stimulus bill, disclosing funding to physicians, patent reform, liability reform, health care reform, support for incentives for programs in wellness and prevention, support for a pathway to license biosimilar medicines, support for enhanced comparative effectiveness research, corporate tax reform initiatives and many other issues. We support a strong and healthy Food and Drug Administration and disclosure of payments that companies make to physicians. We also support a tax credit for renewable energy.

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.

Johnson & Johnson works in collaboration with many coalitions and partnerships to advance good public policy. Some of the groups we partner with are the Healthcare



**COMMUNITY ENGAGEMENT** The New Brunswick Community Farmers Market is one example of how we foster and maintain ties to the communities in which we live and operate. Yvette Jackson, Mid-Atlantic Regional Administrator, USDA Food & Nutrition Service, helped kick off the 2009 farmers market, which brought together New Jersey farmers, Rutgers University, Johnson & Johnson and the City of New Brunswick to offer fresh produce and promote healthy eating.

Leadership Council, the Rand Compare project, the CEO Cancer Gold Standard, the Partnership to Fight Chronic Disease, the 21st Century Coalition for Patent Reform, the World Resources Institute, the World Wildlife Fund, the Carbon Disclosure Project and the U.S. Climate Action Partnership (USCAP). In the EU, Johnson & Johnson works with the European Justice Forum, the European Policy Centre and the Centre for Health Ethics in Society (CHES), the European Health Leadership Programme at the INSEAD Business School and CSR Europe.

#### **ORGANIZATIONAL AFFILIATIONS**

We are affiliated with many organizations through memberships, partnerships or sponsorships. A representative list of some of our social, environmental and economic affiliations follows.

Academy for Educational Development

African Medical Research Foundation  
American Academy of Pediatrics  
AmeriCares  
CEO Roundtable  
Congressional Black Caucus Foundation  
The Conservation Fund  
International Rescue Committee  
mothers2mothers  
NAACP  
National Council of La Raza  
Partnership for Prescription Assistance  
Partnership for Quality Medical Donations  
PhRMA  
Project HOPE  
Safe Kids Worldwide  
Together Rx  
The Trust for Public Land  
UCLA Anderson School of Management  
UNICEF  
U.S. Climate Action Partnership  
The Wilderness Society  
World Resources Institute  
World Wildlife Fund

# Engaging in Shared Interests

Since 1943, Johnson & Johnson has recognized our responsibility to customers, employees, communities and shareholders, as outlined in Our Credo. Each of these constituencies represents a broad array of stakeholders.

In 2009 we worked with the Reputation Institute in a first attempt to talk one-on-one with a large group of important and influential external stakeholders who matter to Johnson & Johnson and have important perspectives to share. On our behalf, the Reputation Institute talked with non-governmental organizations, third-party organizations, major global health groups, socially responsible investors (SRIs), our key customers and a range of policy influencers. Areas discussed included Johnson & Johnson products and services, innovation, workplace, governance, citizenship, performance and leadership.

Findings from these initial discussions indicate there are six broad areas of health care that our external stakeholders would like us to play a leadership role in addressing: women's and children's health; global health coordination; prevention and wellness; health care education and delivery; drug treatment development; and enhancing health care systems.

"We are listening to what our external stakeholders are telling us," says Ray Jordan, Corporate Vice President, Public Affairs & Corporate Communications, Johnson & Johnson. "We are already engaged in a range of business and philanthropic efforts, including many public-private partnerships, in most of these domains. As we learn more, we'll be able to better prioritize future efforts."

Many areas of interest to our stakeholders are covered in some way in this report. We've chosen specific examples in the sidebar based on the topic areas we're

## ADVANCING CANCER TREATMENT

Researchers from Johnson & Johnson and Tianjin Medical University Cancer Hospital in China are pursuing the best science to identify biomarkers that could help personalize medicine and advance cancer treatment.

hearing about in our outreach.

Further conversations took place in the first half of 2010 with employees, the general public, government leaders, investors and media. We've also begun a materiality assessment, to be completed in 2010. We look forward to using the results to inform our responsibility efforts and the contents of next year's report.

"By learning more about our stakeholders and the issues they're concerned with, we can better identify our shared areas of interest," says Jordan. "With those interests identified, we hope to find and take more meaningful actions to improve people's lives."



## PREVENTING CHILDHOOD INJURY

Safe Kids Worldwide is a global network of organizations whose mission is to prevent childhood injury. (See Prevention & Wellness on opposite page.)



## WOMEN'S AND CHILDREN'S HEALTH

Saving and improving the lives of women and children is one focus of our philanthropic efforts. We have numerous community-based partnerships with groups such as UNICEF Safe Motherhood Initiative, the United Nations Population Fund Global Campaign to End Fistula and the European Child Safety Alliance. Many of these programs are outlined in the Our Giving section of [jnj.com](http://jnj.com) and in the 2009 Johnson & Johnson Contributions Report.

## GLOBAL HEALTH COORDINATION

Pandemics highlight the complexity of managing global health. In October 2009, Johnson & Johnson entered into a strategic collaboration with Crucell, NV, focusing on the discovery, development and commercialization of monoclonal antibodies and vaccines for the treatment and prevention of influenza and other infectious and non-infectious diseases.





The collaboration provides access to antibody and vaccine know-how and technology, and expands our ability to offer preventive health care solutions for unmet medical needs.

#### **PREVENTION & WELLNESS**

Johnson & Johnson is the founding sponsor of Safe Kids Worldwide, a global network of organizations whose mission is to prevent accidental childhood injury, a leading cause of death among children age 14 and under. Begun in 1987 by the Children's National Medical Center, Safe Kids Worldwide is now in 16 countries with more than 450 coalitions, composed of health and safety experts, educators, corporations, foundations, governments and volunteers.

#### **HEALTH CARE EDUCATION & DELIVERY**

The UCLA/Johnson & Johnson Health Care Institute prepares Head Start

personnel to teach parents of Head Start children to care for basic childhood illnesses. These parents, who are predominantly uninsured or utilize Medicaid to treat minor childhood illnesses, learn which problems they can care for at home and which require professional attention. The results are fewer lost schooldays or workdays and more effective care at a lower cost to the health care system.

#### **DRUG TREATMENT & DEVELOPMENT**

When it comes to finding the best scientific solutions for unmet medical needs, partnerships and collaborations are as important to us as investing in our own R&D pipelines. For example, Johnson & Johnson and Tianjin Medical University Cancer Hospital in China are partnering to collect and catalogue tumor specimens from patients. The effort will allow scientists to identify biomarkers that could help personalize

medicine and advance cancer treatment. We're also considering ways to use our R&D capabilities to address the needs of resource-poor countries. See related story on page 10.

#### **IMPROVING HEALTH CARE SYSTEMS**

Johnson & Johnson supports health care reforms under way around the world and those voted on in the U.S. in early 2010 (see page 28). But we also recognize that the business model for health care must change to meet growing global health care demands. We participate in PharmaFutures, an investor-led dialogue that explores how to better align corporate profitability with improved access to innovative and affordable health care. PharmaFutures 3, the most recent discussion, explored links between sustainable pharmaceutical business models and improved health outcomes in middle-income markets, including China, India and Brazil.



# Novel Partnerships Evolve Drug Development

**T**he drug development landscape is changing. While introducing new medicines is increasingly complex, risky and costly, more and more unmet needs are being considered in the development process. Joint development initiatives are taking shape, promising to address major health challenges in resource-poor countries.

## GLOBAL ALLIANCE FOR TUBERCULOSIS DRUG DEVELOPMENT

One such initiative is the landmark collaboration between the Global Alliance for Tuberculosis Drug Development (TB Alliance), a not-for-profit product-development partnership, and Tibotec, Inc., a Johnson & Johnson pharmaceutical company. Announced in 2009, the collaboration is a response to the urgent need to accelerate discovery and development of new drugs to treat one of the world's oldest and most deadly diseases.

Among infectious diseases, TB is the second most common cause of adult deaths worldwide. And multi-drug-resistant (MDR) TB—resistant to at least two of the medicines in today's standard four-drug regimen for drug-susceptible TB—is posing a growing health threat.

The collaboration will maximize expertise and resources from both the public and private sectors as researchers from Tibotec and the TB Alliance work to develop TMC207, which could become the first TB drug with a new mechanism of action in 40 years.

"We're delighted to be working with the TB Alliance on a drug that could become a breakthrough treatment for MDR-TB as well as part of a novel new regimen for drug-susceptible TB," says Karel De Beule, Compound Development Team Leader for TMC207 at Tibotec. "Partnering with the TB Alliance gives us proximity to key

stakeholders as we focus on our goal of reaching patients in record time." *The New England Journal of Medicine* published Stage I results from our Phase II clinical trial in MDR-TB in June 2009.

## MEETING OTHER HEALTH CHALLENGES

"The TB Alliance collaboration is not the sole effort by Johnson & Johnson to look for new ways to meet health challenges in resource-poor countries," says Ben Plumley, recently Vice President of Global Access and Partnerships at Tibotec.\* "The Company has a heritage of such collaborations, beginning with our work with the International Partnership for Microbicides."

In 2004, Tibotec gave a royalty-free license and other support to the International Partnership for Microbicides to develop, manufacture and distribute a vaginal microbicide to prevent HIV transmission in resource-poor countries.

Johnson & Johnson is involved in a Bill & Melinda Gates Foundation initiative that partners with health care companies to enhance access to care. Johnson & Johnson Chairman and CEO William C. Weldon serves on the committee for this effort.

Johnson & Johnson and the Gates

\*Ben Plumley left Johnson & Johnson in January 2010 to serve as chief executive officer of the Pangaia Global AIDS Foundation, where he will further his commitment to increasing access to lifesaving medicines.

Foundation are also collaborating on development of a new HIV-prevention technology. "So far we've collaborated on expanding the preclinical work, and we will soon be going into human development," says Plumley. "We'll have other partners involved going forward, but the work between Johnson & Johnson and the Gates Foundation is a strong, strategic, comprehensive relationship."

Another important collaboration is with the Clinton Foundation. "We're working on a commercial indication in HIV," says Plumley. "With the help of the Clinton Foundation, we'll make sure we can get the drug to patients in Africa rapidly after approval in the U.S."

## TOGETHER EVERYONE WINS

"Our work with the TB Alliance has both a social and business motivation," says Plumley. "TB is a bacterial disease, and the work Tibotec researchers are doing, as well as their learnings from joint oversight of the overall development of TMC207, is applicable to the Company's antibiotics research for the commercial market."

That's not the only potential commercial benefit. The Food and Drug Administration Amendments Act of 2007 awards a transferable priority-review voucher—meaning that the FDA will review a drug application within six months instead of the standard 10 months—to any company that obtains approval for a treatment that addresses a neglected tropical disease. Vouchers of this kind are an incentive to develop new medicines for developing-world diseases such as malaria, TB and African sleeping sickness.



**NEW DRUG FOR A DEADLY DISEASE** Karel De Beule, who passed away as we were going to press, led the team at Tibotec that is partnering with the TB Alliance to develop what could become the first TB drug with a new mechanism of action in 40 years. De Beule was instrumental in establishing the landmark collaboration to accelerate TB drug development, and his unswerving dedication to the TB field will be sorely missed. His team carries on this important work.

The agreement with the TB Alliance provides that Tibotec will receive the priority-review voucher if it is the first applicant to receive U.S. FDA approval of TMC207 for a TB indication. That could be very beneficial for the Company, since the voucher can be applied to any medicine in the appropriate stage of development.

“Society is moving more and more to

an environment where the philanthropic will merge with the business,” says Plumley. “In a sense, that’s as it should be—it’s not a question of doing what you’ve got to do for the business without thinking of the community or, conversely, doing for the community without thinking about the business implications.

“Johnson & Johnson shareholders will benefit from the commercial

development of a TB compound, but what’s interesting is that Johnson & Johnson can see benefit defined in a broad way, inclusive of social benefit,” he says. “There is an openness to collaborate in different ways. It’s no surprise that Johnson & Johnson and others at the forefront of developing these kinds of novel collaborations are those rooted in a strong commitment to their communities.”



# Social Performance

## MANAGEMENT APPROACH

We estimate that the Johnson & Johnson Family of Companies touches more than a billion people's lives each day through our health care products and services, our corporate giving and the volunteer efforts of our employees.

Responsibility for activities we consider in determining our social performance is spread among several corporate and global functions. These include Global Procurement, Quality & Compliance Worldwide, Global Talent Management, Benefits and Health Resources, Worldwide Compensation, Health Care Compliance & Privacy and Public Affairs & Corporate Communications, Corporate Contributions, Government Affairs & Policy, Global Diversity & Inclusion, Worldwide Supply Chain, Worldwide Security and Legal. These functions report to the Corporate Group Operating Committee (GOC) and the Executive Committee, which report to the Board of Directors.

This section presents an enterprise-level view of some of our most significant social performance indicators that demonstrate our commitment to our patients and customers, our employees and communities. Additional information about our social policies, positions and programs can be found on [www.jnj.com](http://www.jnj.com) under Our Citizenship and Our Caring.

## DISCOVERING AND DEVELOPING PRODUCTS

The scientists, engineers, doctors, nurses and other health care professionals who work in our research centers around the world have successfully patented more than 52,000 products in the past century.

In 2009 we launched a number of recently approved innovative products across our businesses. And with R&D investments from the past several years coming to fruition in exciting and meaningful ways, we again invested another \$7 billion.

In addition to advancing pipelines through internal development, we continued to acquire, invest in and collaborate with other companies to generate new opportunities to meet patient needs. Since the beginning of 2008, we have made eight major acquisitions and invested in several strategic transactions. Recent highlights include the acquisitions of Cougar Biotechnology, Inc. for oncology and a key compound from Elan Corporation, plc for Alzheimer's disease, as well as strategic alliances with Crucell, NV for vaccines and Gilead Sciences, Inc. for HIV therapies. In early 2010 we acquired Acclarent, Inc. for minimally invasive sinus surgery.

Work in our laboratories and clinical research centers is conducted to the highest ethical standards. We routinely review our research policies to ensure they are aligned with ethical standards around the world.

Our *Ethical Code for the Conduct of Research & Development* is available on [www.jnj.com](http://www.jnj.com) under Our Company/Our Citizenship/Ethical Research & Development.

## Animal Welfare

In 2009 we updated our *Policy on the Humane Care & Use of Laboratory Research Animals* to include additional requirements and guidance regarding animal welfare. It is the policy of the Johnson & Johnson Family of Companies to minimize use of animals in laboratory research that assesses the safety and efficacy of our products. Animal use has decreased by 65 percent relative to R&D investment since 2000, and we remain committed to the three "R" principles—replacement, reduction and refinement—as they apply to animal testing.

We do not conduct animal testing for our personal care products. We don't ask others to test on our behalf, except when required by law or government authorities, and we comply globally with the requirements of the EU ban on animal testing for cosmetics. We also engage internal and external experts to review the ethical aspects of all animal tests.

In 2009 we presented highlights of our 3R Award Program at the VII World Congress on Alternatives & Animal Use in Life Sciences. Created in 2005, the 3R Award recognizes employees who develop viable alternatives to animal testing; in 2006, the program expanded to include the 3Rs Post Doctoral award, recognizing top scientists and engineers who serve as role models.

## Product Safety

The quality, safety and efficacy of our companies' products is our top priority. Before they can be sold, finished products undergo quality checks and testing.

Our commitment to safety continues after products reach the marketplace. Our companies work to ensure our products are used appropriately by helping people understand how to use medicines and health care products wisely, educating doctors and other health care professionals on appropriate use, conducting post-marketing studies and monitoring safety data. Our operating companies also employ a variety of mechanisms to measure customer satisfaction, including surveys, website interactions, focus groups and patient advisory groups.

In the event a problem is found with one of our products, procedures are in place to determine its extent and whether a recall is appropriate. As an example, McNeil Consumer Healthcare recently implemented recalls for certain lots of over-the-counter products in the U.S., Canada and some other countries. Working with many stakeholders, efforts are underway to address the conditions that led to the recalls.

## Anti-Counterfeiting

Our companies identify and mitigate the risks of counterfeit health care products through product and packaging security measures that help distinguish authentic products and minimize the potential for tampering. In 2009, the Global Brand Protection group held its second Global Summit to examine the scope and potential impact of counterfeiting and product tampering activity around the globe. Summit findings were used to inform training of employees who handle and sell our products so they are better equipped to identify and mitigate potential risks.

We are committed to ensuring that the patients who rely on our brands receive





**TEXT4BABY** Johnson & Johnson is a founding partner of text4baby, an unprecedented public-private partnership designed to address the rising U.S. infant mortality rate. New mom Lorielle James received timely and expert health information via text message while pregnant with Jah Tae. She'll continue to get such messages through his first year. Read more under Advancing Health Literacy on page 14 or visit [www.jnj.com/OurCaring/OurStories](http://www.jnj.com/OurCaring/OurStories) for Lorielle's story.

to help identify factors that may affect product quality, efficacy and safety.

• **Nanotechnology.**

Nanoparticles (particles under 100 nanometers in size) offer 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, research the environmental impact of nano-sized particles, investigate product safety and develop advanced protective methods for working with nano-sized materials. For example, our Medical Devices and Diagnostics businesses have initiated an active program to look at the medical uses for nanotechnology and develop products that can safely use the technology while bringing increased health benefits to patients. Our positions related to nanotechnology and genetically modified organisms are addressed in Product Quality & Safety on [www.jnj.com](http://www.jnj.com).

• **Genetically Modified**

**Organisms.** Johnson & Johnson biopharmaceutical companies work closely with regulatory authorities around the world to ensure that appropriate standards and controls are in place when genetic technologies are used. Some of our consumer products may contain materials derived from genetically modified plant materials.

We depend on labeling of raw materials derived from soy and corn products to know whether materials have been genetically modified. The Global Ingredient Issues Team and, if necessary, relevant senior business leaders review ingredients that are not common GMO-derived materials before they are considered for use in products.

genuine Johnson & Johnson products. Look on [www.jnj.com](http://www.jnj.com) under Our Perspectives on Medical Innovation.

**Product Liability**

Johnson & Johnson subsidiaries are involved in numerous product liability cases in the United States, many of which concern alleged adverse reactions to drugs and medical devices. While we are confident of the adequacy of the warnings and instructions for use that accompany these products, it is not feasible to predict the ultimate outcome of litigation.

Find additional information in our November 2009 10-Q

and the 2009 10-K under the heading Product Liability. The reports are available on [www.investor.jnj.com](http://www.investor.jnj.com).

**RESEARCH AND DEVELOPMENT**

Information about the key product issues that follow can be found on [www.jnj.com](http://www.jnj.com) under Our Company/Our Citizenship or elsewhere on [www.jnj.com](http://www.jnj.com) as noted.

• **Stem Cells.** Our Committee on Human Stem Cell Research, which includes external ethicists, has established guidelines that govern the use of stem cells in research funded by Johnson & Johnson and its affiliated companies. These

guidelines prohibit the use of stem cells for reproductive cloning. Find *Our Ethical Code for Conduct of Research and Development* on [www.jnj.com](http://www.jnj.com) under Ethical Research & Development.

• **Ingredient Safety.** We pay attention when questions arise about the use of particular ingredients, and when warranted, we explore alternative options. Even before raw materials are used, our pharmacists, toxicologists, laboratory analysts and other health scientists conduct thorough evaluations in extensive laboratories that Johnson & Johnson maintains for this purpose. We employ sophisticated tools and systems

## PATIENT SAFETY AND EDUCATION

Patient safety is our top priority, from selection of our ingredients through sourcing of those ingredients to the manufacturing of our products. But patient safety goes beyond the development and manufacturing of our products; it's also about the proper use of our products and the education of our patients.

### Advancing Health Literacy

Health literacy is defined by the Institute of Medicine and National Library of Medicine as the “degree to which individuals have the capacity to obtain, process and understand basic health information and services needed to make appropriate health decisions.” Health literacy helps to address issues of ethics and equity related to medical access. We believe a health-literate society could positively impact cancer incidence, mortality, quality of life, diabetes and its complications, lifestyle illnesses and hypertension management with better prevention, diagnosis, intervention and cures.

Text4baby and Safe Kids Worldwide are examples of the health literacy programs we support.

• **text4baby** As the founding sponsor, Johnson & Johnson partnered with Healthy Mothers, Healthy Babies; Voxiva; and the international association for the wireless telecommunication industry (CTIA) to create text4baby, a free mobile information service designed to reduce infant mortality and promote healthy birth outcomes among underserved populations.

The U.S. has the third highest infant mortality rate among developed nations. Much is known about the behaviors and conditions that can improve a

baby's chances of being born healthy and thriving, but this solid science is not getting into the hands of those who need it most. Women who sign up for text4baby receive three free text messages a week—timed to their due date or baby's date of birth—on topics such as preventing birth defects, immunization, nutrition, seasonal flu, mental health, oral health and safe sleep.

Text4baby messages also connect women to health care services and resources in their communities. The messages are based on research compiled by the U.S. Centers for Disease Control and Prevention and represent the most critical health information that pregnant women need at various points in each trimester. Mothers in a number of communities affected by infant mortality are involved in the process.

BABYCENTER®, LLC, a member of the Johnson & Johnson Family of Companies, provides additional support and research.

### • Safe Kids Worldwide

Safe Kids Worldwide combines several approaches to create programs that reduce injuries such as concussions. Given the rising number of injuries from youth sports in the U.S., Safe Kids recently formed a coalition to provide more extensive public education to parents and children. Johnson & Johnson and its affiliate DePuy Mitek sponsor this work. (See page 9.)

### Access to Our Products

One way we can help to advance good health is through efforts to enhance access to health care and health care products for people across all economic and social circumstances. 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. Our companies operate major patient-assistance programs that provide donated medicine, discounts and other support to patients in the United States and Puerto Rico.

We support public policy efforts to enhance basic health service coverage for limited-income and uninsured people. 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 and services they need.

### Health Care Compliance

Johnson & Johnson is a large and diverse company, with thousands of daily transactions that must comply with hundreds of regulations around the world.

In the past year, we have had issues arise with the marketing and selling of our products and with product quality. We take these issues seriously; we investigate each one and revisit our operational controls. Additionally, given the evolving requirements of multiple stakeholders worldwide and the increasing need for effectiveness and efficiency in compliance, monitoring and transparency across all sectors of our industry, we have created a global, integrated, enterprise-wide organization dedicated to providing oversight on compliance matters.

This organization supplements those compliance organizations already in place and is aligned to our businesses to drive effective and efficient compliance programs. Issues or concerns requiring our attention in 2009 are discussed in our November 2009 10-Q and 10-K filings.

## WORKPLACE

### Workforce Statistics

Our workforce statistics, retention rates and salary information are tracked at an operating company level only. We are implementing a new data management system that will allow us to capture and report this information in a concise way across the corporation.

Regarding minimum notice periods for significant operational changes, including facility closings or sales and reductions, Johnson & Johnson complies at a minimum with local mandates and applicable collective-bargaining agreements. In the U.S., a minimum of 30 days' notice is provided.

### Diversity and Inclusion

At Johnson & Johnson, Diversity and Inclusion (D&I) plays an important role in the way we look to innovate, develop talent and leverage diverse insights in caring for the health and well-being of patients and customers around the world.

Our Global Office of Diversity and Inclusion, which includes our Equal Opportunity and Work/Life practices, works with our businesses to attract, retain and develop a diverse workforce, guided by our *Global Diversity and Inclusion Vision* (see [www.jnj.com/connect/about-jnj/diversity/programs](http://www.jnj.com/connect/about-jnj/diversity/programs)). In 2008 we established diversity councils in each of our businesses to help drive more strategic alignment of D&I activities across the business sectors.

In 2009 we strengthened our D&I efforts by further embedding strategies into every element of our businesses.

### Affinity Groups

We have nine active affinity groups within the Johnson & Johnson Family of Companies. Collectively, these groups have more than 220 chapters, 84 of which are

outside the U.S., representing close to 10,000 members.

Initiated and driven by employees, these groups provide an open forum for idea exchange and action, and offer a mechanism to strengthen linkages within our diverse communities. Our CEO meets twice a year with group leadership. Our success with our affinity groups and our broad diversity efforts were acknowledged in 2009 when *DiversityInc* magazine ranked Johnson & Johnson No. 1 on its list of Top 50 Companies for Diversity.

Our affinity groups also help those in need and exemplify Our Credo responsibilities. For instance, our Hispanic Organization for Leadership and Achievement worked with the National Council of La Raza (NCLR) to provide eye screening for more than 350 people at the NCLR convention in Chicago; the screening identified some life-threatening health issues among participants. Our African American Leadership Council partnered with our ACCESS2WELLNESS™ program to provide education on ACCESS2WELLNESS™ at the NAACP and the National Caucus and Center on Black Aged. Our Gay and Lesbian Organization for Business and Leadership partnered with our supplier diversity team to include lesbian, gay, bisexual and transgender suppliers on our list of certified suppliers.

### Employee Training

Johnson & Johnson and its operating companies provide training across a vast array of topics, from leadership development and management education to training in disciplines such as finance, marketing, business practices and compliance requirements. We offer on-the-job training, plus extensive, globally accessible training and

development at the individual, team, organizational and leadership levels. Our School of Personal and Professional Development and our eUniversity are available online to all employees and provide eLearning and classroom courses.

Training is provided, tracked and documented by the operating companies. Employees receive an average of eight hours or more of training per year.

### Contractor Safety Management

Johnson & Johnson maintains a comprehensive occupational safety program that includes systems to protect contractors working at Johnson & Johnson facilities.

Due to a few contractor incidents that resulted in serious injury, as well as one fatality in 2007, we took steps in 2008 to revise our *Contractor Management* standard in collaboration with our Occupational Safety Network. The improved standard and associated contractor safety guidelines were implemented in 2009. They ensure that the qualifications for each job done by a contractor are clearly delineated, and that contractors are sufficiently qualified and competent to do the tasks they are hired to do.

In 2009 we also began tracking contractor injury rates and the percentage of projects in which safety risk is assessed prior to contractor selection, and assessing the level of contractor oversight.

Identifying a significant and increasing risk at one of our locations in mid-2009, we implemented the new program, resulting in a reduction in serious injury rates. Going forward, we will use the three contractor safety metrics to monitor both leading and lagging indicators of contrac-



**RIGHT LIGHT** The yellow light in staff scientist James Ford's lab creates a stable chemical environment and protects the light-sensitive materials with which he works. Ford is at the front lines of new product development. Later product development stages involve the right mix of internal and external expertise.

tor safety performance and eliminate serious injuries and fatalities among our contractor workforce.

### Employee Health and Wellness

As the largest health care company in the world, we see enhancing the well-being of employees, members of their households and the communities where we live and work as a logical extension of our corporate mission to sustain a "global culture of health." The *Healthy People* program provides Employee Assistance, Occupational Health, and Wellness and Health Promotion services, all of which have expanded globally since 2005. We now offer a full suite of online resources through HEALTH MEDIA™ and a unique approach to increasing physical and emotional capacity through HUMAN PERFORMANCE INSTITUTE™ and its CORPORATE ATHLETE™ Energy Management principles.

### Employee Assistance Program

From time to time, life presents personal and professional challenges that may feel overwhelming. The Employee Assistance Program provides free professional, confidential behavioral counseling to employees and their families. This includes organizational coaching to help managers promote a positive and engaging atmosphere within the workplace and to provide psychological assistance. Special emphasis is placed on building personal resilience through workshops and interactive seminars, as well as through individual and family counseling. In 2009, 10 percent of employees took advantage of these opportunities, 98 percent of whom felt the services had improved their ability to thrive at work and at home. Today, 108,000 employees and their families in more than 100 locations around the world have access to local Employee Assistance services.



## Occupational Health

Johnson & Johnson occupational health programs directly influence the ability of our global workforce to work safely and effectively. A key goal is to prevent and/or manage work-related injury and illness. Ensuring compliance with local laws and regulations is also critical.

In 2009 the Occupational Health team oversaw Johnson & Johnson's worldwide H1N1 influenza preparedness across the globe, with occupational health professionals providing expertise, resources and guidance to our businesses. U.S. occupational health nurses provided more than 1,100 H1N1 vaccines to high-risk employees, with several thousand more planned for other U.S. employees in 2010. They also administered more than 10,400 seasonal-flu vaccinations.

Many Johnson & Johnson facilities have on-site occupational health clinics. These give employees immediate access to trained medical personnel for injuries or illnesses, provide medical and health education or referrals, and assist operating companies in complying with local rules and regulations. Many also offer biometric collection, testing

and counseling for employees who elect to maintain a personal *Health Profile*.

## Wellness and Health Promotion

The voluntary employee *Health Profile* helps employees understand their health status and gives us an indication of the impact of our health programs. In 2009 more than 30,000 U.S. employees participated in the *Health Profile* screening, the most successful year since the inception of the profile more than 10 years ago. The *Health Profile* has been translated into 36 languages, and we have plans to deploy the program in other countries in coming years.

The confidential questionnaire identifies health and lifestyle risks, including tobacco use, blood pressure, cholesterol and physical inactivity. An analysis of the U.S. data revealed that the top three risks among our employees are unhealthy eating, physical inactivity and obesity. We have implemented a variety of health and wellness programs and have reduced health risk factors. Professional health advisers coach employees on ways to improve their health.

To support our programs, Johnson & Johnson established

INDICATOR	1995	2005	2006	2007	2008	2009
<b>Lost Workday Case Rate</b> Per 100 employees (Goal: <0.07)						
Johnson & Johnson	0.31	0.06	0.07	0.08	0.10	0.12
Pharmaceutical Peer Data	0.80	0.41	0.47	0.51	0.47	0.37
<b>Serious Illness and Injury Case Rate</b> Per 100 employees (Goal: <0.035)	0.072	0.033	0.034	0.024	0.032	0.034
<b>Fatalities</b>	1	0	2	0	0	1

*Healthy People 2012* goals; our progress through 2009 is detailed below.

## WORKPLACE SAFETY

Johnson & Johnson has a *Worldwide Environment, Health and Safety Policy* that is supported by global workplace safety standards and a safety management system. Safety performance is discussed with the Corporate Compliance Committee and the Public Policy Advisory Committee of the Board of Directors. A formal report of safety performance is provided annually to the full Board of Directors. At the end of 2009, a total of 25 manufacturing and R&D sites (24 percent) had achieved OHSAS 18001 certification.

Where local collective-bargaining agreements exist, health and safety topics may be incorporated. Topics covered may include use of personal protective and safety equipment, health and safety

committees and designated representatives, conduct of inspections, handling of complaints, and training.

Our *Safe People 2010* goals include lost workday case rates and serious illness/injury case rates at or below 2006 levels, zero non-compliances and zero fines, and implementation of mechanisms to measure and improve safety culture.

Our lost workday case rate continues to trend above our target. Reductions in injuries from vehicle crashes, slips, trips and falls, and other causes were offset by a doubling of the incidence of ergonomic injuries. We have implemented a comprehensive plan that is improving the risk prevention competency of our EHS professionals, focusing on the sites with the highest injury rates.

## Safety Compliance

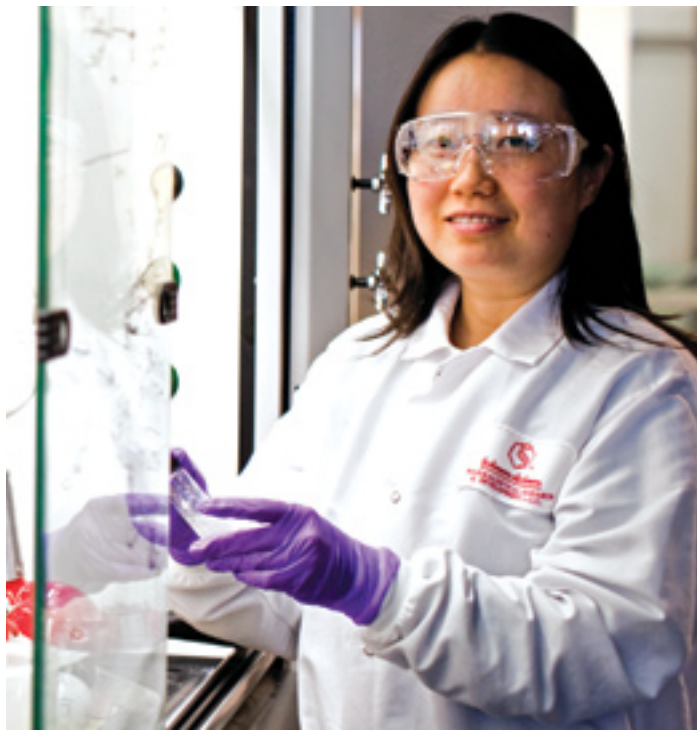
We have set a goal of zero safety violations and zero fines. In 2009 we experienced 10 health and safety non-compliances, all of them minor in nature. We also incurred a \$2,200 fine for a transportation-related safety violation.

## Ergonomics

Ergonomic injuries accounted for 32 percent of lost workday cases in 2009, up from 20 percent in 2008. We continue to implement an aggressive strategy to modify high-risk tasks and have moved to an operating company focus, supported by electronic tools and awareness training, to bring these efforts closer to employees.

## HEALTHY PEOPLE 2012 GOALS

OBJECTIVES	GOALS	RESULTS
<b>Create, promote and sustain an organizational culture of health</b>	Promote eight health services offerings at 75 percent of sites/companies worldwide in 2009; 13 health services offerings by 2010.	<b>U.S.:</b> 93 percent <b>Outside U.S.:</b> 41 percent of sites/companies worldwide promoted eight health services offerings. (Definition for health services offerings was modified in 2009.)
<b>Reduce population health risk factors</b>	Among employees who participate in the voluntary health screening, demonstrate more than 66 percent in the "low risk" health category in 2009; more than 70 percent by 2012.	<b>U.S.:</b> 87 percent <b>Outside U.S.:</b> 60 percent of employees who participated in the voluntary health screening were in the "low risk" health category.
<b>Promote a consistent approach to the deployment of occupational health services and standards</b>	Complete greater than 87 percent of periodic medical surveillance on time in 2009; 93 percent by 2012.	Greater than 95 percent of periodic medical surveillance completed on time.



**WORK ENVIRONMENT** Hui Huang is a researcher at the state-of-the-art Johnson & Johnson Pharmaceutical Research & Development, LLC laboratory in Spring House, Pa. The U.S. Green Building Council's certification program recently recognized the research facility as a high-performance building. See story on page 20.

### Fleet Safety

Johnson & Johnson's fleet safety program, SAFE Fleet, provides services to more than 35,000 employees worldwide. For many of these employees, the company vehicle is their workplace, and some spend up to 60 percent of their time driving on company business. Our rate of crashes per million miles driven (CPMM) has decreased by 34 percent since 1995.

In 2009 the number of crashes worldwide declined by 4 percent; the percentage of vehicles in crashes stayed relatively flat. However, our CPMM increased to 5.75, primarily due to an increase in accidents in North America and Asia. We also had

one fatality in 2009. In response to this incident, we increased awareness and training efforts and established an executive committee champion to help push for better performance.

### HUMAN RIGHTS

Respect for human rights is intrinsic to Our Credo. Johnson & Johnson understands the importance of safeguards in this area and has many policies in place to ensure human rights are protected, including policies on child labor and forced or compulsory labor. Our *Global Labor and Employee Guidelines* and our *Policy on Employment of Young Persons* set our expectations for employment at our own sites.

We have established *Standards for External Manufacturing* and require our external manufacturers to enter into an enforceable written agreement to comply with its policies and standards. They also submit to periodic inspections and must maintain

records to demonstrate conformance to these standards.

Our Vice President of Human Resources, reporting directly to our Chief Executive Officer, is responsible for human rights efforts. Implementation of these efforts is monitored through our internal audit process, conducted at all business units globally. The audit process includes an assessment of compliance with the Company's *Global Labor and Employment Guidelines*.

Procedures are in place to remedy any identified non-compliances; non-compliance situations and possible violations are reported to senior management. Regional Labor and Employee Relations directors are responsible for investigations and sanctions in their region. Employees may also report suspected violations via the Company's compliance hotline; these reported violations are managed by central Labor and Employee Relations directors.

Recognizing that we have operations and a sourcing presence around the world, including in some countries considered at risk for human rights violations, and that our operational locations vary as acquisitions and divestitures take place, we have also established a formal process to enhance our human rights policies. We have formed a multidisciplinary team to work on this effort, and the policy will be posted to [www.jnj.com](http://www.jnj.com) when finalized.

Of the 60 countries in which Johnson & Johnson has operations, those considered at risk for human rights include Angola, China, Colombia, Egypt, India, Indonesia, Israel, Lebanon, Morocco, Pakistan, Russia, Saudi Arabia, Thailand, United Arab Emirates, Venezuela, Vietnam and Zimbabwe.

### Volunteerism

The Johnson & Johnson Family of Companies Volunteer Support Program (VSP) was created in 1993 to encourage employee initiatives that embody the Johnson & Johnson Credo spirit. The VSP sponsors volunteer opportunities; creates partnerships and relationships with local nonprofit organizations; coordinates volunteer days for Johnson & Johnson companies, groups and individuals; and recognizes excellence in volunteerism. Currently available in the U.S., this program is being expanded to include retirees and employees outside the U.S. We estimate that approximately 80 percent of our U.S. employees (more than 35,000 people) are active volunteers in their communities.

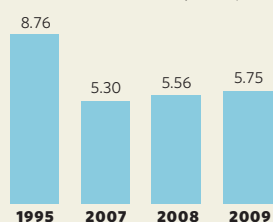
### Supplier Diversity

In 2009, Johnson & Johnson had business arrangements with more than 2,400 Minority and Women Owned Business Enterprise (M/WBE) suppliers, adding more than 178 certified M/WBEs to our base. We spent \$860 million with minority- and women-owned businesses, increasing our percentage of spending with diverse business owners to approximately 7 percent. Johnson & Johnson provided free consulting services and training to suppliers seeking certifications, such as those offered through the National Minority Supplier Development Council and The Women's Business Enterprise National Council.

We also partnered with groups like the Diverse Manufacturing Supply Chain Alliance to develop partnerships with minority- and women-owned businesses. We benchmark our efforts to ensure we use best practices in the recruitment and development of these businesses.

### FLEET SAFETY

Rate of Crashes Per Million Miles Driven (CPMM)



# Partnering With Our Suppliers

**S**ustainability reaches far beyond the walls of any one company. It touches the raw materials we purchase and the external partners we use in producing our products.

Johnson & Johnson has a long history of working to reduce the environmental impacts of our internal operations, promote workplace safety, and care for the health and well-being of our employees. While we don't have direct control over our supply chain, we have a responsibility to ensure that operations conducted on our behalf are consistent with our values.

## **PURCHASING POWER DRIVES IMPACT**

"We are using our purchasing power to drive more sustainable business practices on a broad scale," says Mark Guinan, Chief Procurement Officer, Johnson & Johnson. "With an annual spend of approximately \$30 billion per year, it is a huge footprint, so we're working with our suppliers to set sustainability expectations."

Guidance for Johnson & Johnson operating company managers who purchase goods or services is provided by the Procurement Sustainability Initiative (PSI), developed in 2008 to help align our procurement processes with our sustainability efforts. The PSI breaks down procurement efforts according to the 13 procurement categories and sets performance expectations for each category.

Through the PSI, we are able to consider several non-financial performance factors when contracting with suppliers. These include purchasing from those who protect and promote worker safety, health and well-being; who provide materials and services with a reduced or positive environmental impact; and who respect and share our efforts to preserve communities and cultures connected to the origin, processing, manufacturing, use and disposal of materials and services.

"The PSI enables us to select suppliers who share our values and are willing to work with us to drive positive change in the marketplace," says Guinan. "The challenge arises from the sheer size of our supply chain."

## **ENCOURAGING CHANGE**

We also continue working to influence our supply chain in regard to greenhouse gas (GHG) emissions by encouraging our suppliers to join the Carbon Disclosure Project's (CDP) Supply Chain program. This collaborative program encourages participants to measure their energy use and greenhouse gas emissions and assess their reduction plans, with an option to report them publicly. We have been disclosing our own energy use to the CDP since 2003, and we believe that completing this inventory, reporting the results publicly and understanding a company's emissions comprise the first step in better GHG management (see our reports at [www.cdproject.net](http://www.cdproject.net)). By the end of 2009, more than 80 percent of the suppliers we approached chose to participate in the CDP.

Additionally, we continue to participate in the Pharmaceutical Supply Chain Initiative ([www.pharmaceuticalsupplychain.org](http://www.pharmaceuticalsupplychain.org)), an effort to gain some efficiency within the industry and to drive real improvements in the supply chain through collaboration, especially in Asia-Pacific and Eastern Europe. Participants include major pharmaceutical companies that share a vision of better social, economic and environmental outcomes for all involved in the pharmaceutical supply chain.

## **MAKING A DIFFERENCE**

Opportunities to positively impact the environment exist all along our value chain, from reducing our own footprint to assisting our external manufacturers and suppliers in understanding how to reduce theirs. Several years ago, Johnson & Johnson set expectations for suppliers manufacturing finished products or active pharmaceutical ingredients. Our *Standards for Responsible External Manufacturing* outline expectations for appropriate business conduct, labor and employment, and environment, health and safety practices. These standards continually evolve to reflect the sustainability expectations we hold for our supply chain.

"By meeting our standards, our external manufacturers know that our confidence in them increases," says Mel Campbell, VP Worldwide Operations, External Supply, Johnson & Johnson. "Through collaboration and partnership, we are using our influence to drive our sustainability





**PACKAGING IN PROCESS** Recycled-paper pulp is processed to become packaging material at one of our suppliers' manufacturing facilities in Brazil. The Procurement Sustainability Initiative enables us to select suppliers like Suzano, which operate in ways that are in keeping with our sustainability efforts.

efforts beyond our four walls, creating value for both Johnson & Johnson and our suppliers."

Our *Healthy Planet 2010* goal is for all our external manufacturers to conform to these standards by the end of 2010. By the end of 2009 we had assessed more than 85 percent of our approximately 700 external manufacturers against our standards. "If minor violations are found, we work with the company to improve their

performance," says Campbell. "If significant violations are identified that cannot be resolved, Johnson & Johnson terminates its relationship with the supplier."

#### **TAKING RESPONSIBILITY**

Taking responsibility for the environmental and social impacts of our products requires thoughtful efforts: from the design and implementation of tools our businesses can use to assess raw materials,

products, processes and packaging to setting goals that drive performance. We've been driving change within our organization for years, and turning our attention to the supply chain is a natural progression.

"The choices we make today will determine the conditions that future generations inherit tomorrow," says Guinan. "When you think in those terms, these efforts take on a greater sense of importance."



# Building Sustainable Facilities

Johnson & Johnson is always striving to build greener buildings. Our *Policy on Sustainable Design and Construction* provides comprehensive guidelines for incorporating sustainability into the design and construction of all new facilities and major renovations.

The Policy establishes an enterprise-wide minimum design standard, or Sustainability Baseline, requiring the efficient utilization of energy, water and materials to reduce a building's life cycle operating cost, minimize environmental impact and improve indoor environmental quality for the health of occupants. The Sustainability Baseline uses the Leadership in Energy and Environmental Design (LEED) Green Building Rating System™, the U.S. Green Building Council's certification program for the design, construction and operation of high-performance buildings.

## SPRING HOUSE RESEARCH FACILITY

A research facility that opened in March 2009 in Spring House, Pa., was designed and built according to the Sustainability Baseline. The project achieved the first LEED Gold certification for a Johnson & Johnson research laboratory. Gold is the second highest level of LEED certification, based on a 69-point scoring system; Spring House achieved 43 points.

The project began in 2005 when Johnson & Johnson Pharmaceutical Research & Development, LLC decided to consolidate research efforts from facilities in Cranbury, N.J., and Exton, Pa. The vision was to create a more innovative and collaborative environment in which research teams could work together in the pursuit of medicines that address unmet patient needs. The state-of-the-art facility was designed with open laboratory environments, collaboration space and many environmental

and energy-saving innovations.

"We looked at all aspects of the building's operation in the context of how researchers would use equipment such as fume hoods and what could be done to maintain a safe environment while achieving building efficiency and decreased energy consumption," says John Perrigue, Senior Manager, Worldwide Engineering, Johnson & Johnson, who served as project director. "Our team challenged norms for safety, engineering and operations excellence, and found better ways to maintain the level of safety and quality that we look for in our facilities."

Dan Cassidy, Workplace and Site Operations Energy Manager, Global Pharmaceutical Supply Group, LLC, shares one example: "Working with partners in our Environment Health and Safety group, we came to an agreement about fume hood operations that saves energy and can be applied to other Johnson & Johnson sites to increase safety and efficiency."

Adds Perrigue: "Not only did we achieve LEED Gold, we reduced costs because we did not have to purchase additional mechanical heating and cooling equipment to serve the building."

## ENTERPRISE-WIDE POLICY

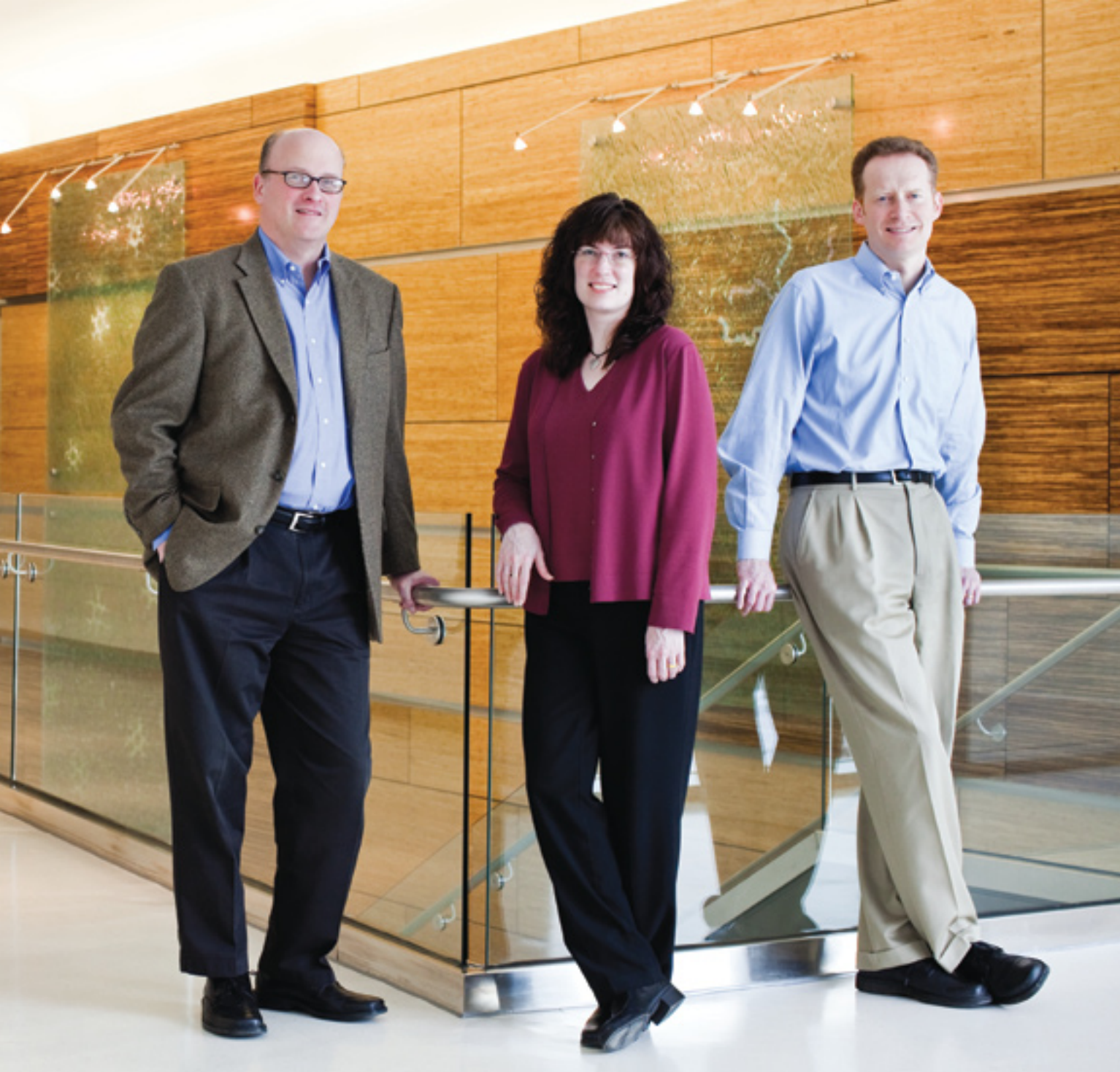
The *Policy on Sustainable Design and Construction* complements all other Johnson & Johnson environmental and engineering guidelines, as well as local laws and regulations in force at our locations around the world. It applies to all new



**GREEN BUILDING** Environment Health and Safety Manager Betsy Hammonds and colleagues John Perrigue (left) and Dan Cassidy (right) were team members who designed and built the first LEED Gold-certified Johnson & Johnson research laboratory, in Spring House, Pa.

construction and renovations totaling at least \$5 million and all new facilities owned or leased by Johnson & Johnson companies worldwide, including office, research and development, manufacturing and warehouse buildings. All engineers, project managers, facility managers and consulting firms that specify, design, construct or operate new or





renovated Johnson & Johnson facilities are responsible for ensuring that the Sustainability Baseline is met.

Johnson & Johnson companies are encouraged to set even higher sustainability objectives to further minimize their impact on the environment, provide comfortable and effective workspaces for their employees, and reduce long-term operating costs. In fact, many project teams are constructing sustainable buildings with little or no added cost. The long-term benefits usually far surpass the incremental upfront capital investment.

“While we were in the planning stages of constructing a LEED-certified building

at Spring House,” says Perrigue, “we took a critical look at the requirements. We found we could apply good practices and sound decision-making and achieve LEED Gold without any additional expenses.”

#### **REGIONAL RATING SYSTEMS**

“Besides LEED, several other comparable rating systems are used throughout the world,” says Dan Usas, Energy Manager, Worldwide Environment, Health and Safety, Johnson & Johnson.

LEED is used in the Americas and the Asia Pacific region. In Europe, the EU Green Building Programme (GBP) is used for energy considerations, and LEED is

used for other aspects of building design. The U.K. relies on the Building Research Establishment’s Environmental Assessment Method (BREEAM).

For Johnson & Johnson, sustainable buildings have become a natural extension of our commitment to sustainability and an important part of meeting Our Credo responsibilities to employees, communities and the environment.

“We made a deliberate decision upfront to go forward in a responsible manner,” says Cassidy. “It was a concerted effort. We assembled the right team and expertise. And in the end we were able to do everything we set out to do and more.”

# Environmental Performance

## MANAGEMENT OVERVIEW

A healthy planet and a healthy community go hand in hand. That's why Johnson & Johnson sets high standards for our operating companies in the area of environmental responsibility. We take seriously our responsibility to preserve our planet's beauty and resources for future generations. Guided by Our Credo, directed by our *Worldwide Environment Health and Safety Policy* and *Climate Friendly Energy Policy*, and driven by our long-term *Healthy Planet* goals, we are committed to reducing our impacts across all aspects of our operations.

## Goal Setting

We've been setting long-term environmental goals since 1990. Our *Healthy Planet 2010* goals address transparency, energy use and carbon dioxide (CO<sub>2</sub>) reduction, water use, paper and packaging, waste reduction, product stewardship, environmental literacy, biodiversity, compliance and external manufacturing.

Our Worldwide Environment, Health and Safety (WWEHS) organization tracks these goals and reports performance to the Executive Committee and the Public Policy Advisory Committee of our Board of Directors. Performance against these goals is addressed in this section and can also be found on our website.

We engaged with stakeholders during 2009 to inform development of our *Healthy Future 2015* goals, which go into effect in January 2011.

## Organizational Responsibility

Decentralization is balanced with enterprise-wide accountability in managing environmental issues and making progress against environmental goals. WWEHS, headed by the Vice President, Worldwide Environment, Health and Safety, manages enterprise-wide aspects, partnering with franchise and operating company environmental professionals, who are responsible for environmental management at their franchises, operating companies and facilities. Central to the coordination of these efforts is the EHS Leadership Council, composed of franchise and operating company environmental leaders.

WWEHS sponsors several integrated internal teams for marketing, packaging, product stewardship, emerging issues, industrial hygiene, occupational safety and other key topics, enabling a holistic approach to these issues across business units. A Vice President for Sustainability in our Consumer group, appointed in 2009, has begun building teams that will guide sustainability efforts for that business segment, and the Pharmaceutical group has created a sustainability council to guide their efforts.

## Monitoring and Follow-Up

During 2009, we strengthened some of our WWEHS auditing standards, including those related to contractor management and warehouse use. Of our

manufacturing and R&D sites, 102 (99 percent) are certified to the ISO 14001 Environmental Management System.

Our auditing process, known as MAARS (the Management Awareness and Action Review System), is a global system for identifying and mitigating EHS risks that enables the Company to proactively address issues and ensure compliance with regulatory requirements and Johnson & Johnson EHS standards. The process includes self-assessment, independent assessment, action planning, corrective action tracking and training. Each site conducts annual regulatory compliance self-audits, and these are supplemented by an independent compliance and management systems audit every three years.

We maintain an event notification process to alert management to EHS non-compliances and accidental environmental releases within 72 hours of occurrence.

## CLIMATE POLICY INITIATIVES

We continue working to help shape responsible climate and energy policy. As noted in our past sustainability reports, we are members of the U.S. Climate Action Partnership (USCAP), which offered recommendations to early versions of the U.S. climate change legislation. In addition, Johnson & Johnson was one of approximately 950 companies to sign the Copenhagen Communiqué, calling on world leaders to sign a climate agreement.

## ENERGY USE AND CLIMATE CHANGE

Johnson & Johnson has a *Climate Friendly Energy Policy*, goals to reduce both facility- and transportation-related emissions, and a carbon dioxide (CO<sub>2</sub>) reduction capital funding process that provides \$40 million per year for energy and greenhouse gas

reduction projects across the Company. In 2009, 17 new projects were approved. We also adopted a policy mandating that all new construction projects be certified to the widely used Leadership in Energy and Environmental Design (LEED) green-building standard, or equivalent.

## Facility CO<sub>2</sub> Emissions

Our *Healthy Planet* climate change goal is to reduce our baseline 1990 CO<sub>2</sub> emission levels by 7 percent in absolute terms by 2010, and we are currently meeting this goal with a 16 percent absolute reduction (see chart). We experienced sales growth of more than 450 percent during the same period.

Strategies include improving energy efficiency, installing on-site cogeneration and renewable-energy infrastructure, and purchasing green power and carbon offsets. Notably, we plan to triple our on-site solar power capacity from 4 megawatts to 12 megawatts through seven solar-power projects that will be completed in 2010.

Our challenge continues to be reducing absolute emissions while our businesses are growing. We use offsets to support renewable-energy projects and reduce greenhouse gas emissions through external projects, although we prefer to reduce our direct emissions and continue to seek ways to accomplish this. The chart on the facing page includes our energy use and emissions data; our Carbon Disclosure Project report, at [www.cdproject.net](http://www.cdproject.net), provides additional data.

## Transportation-Related CO<sub>2</sub> Emissions

Johnson & Johnson seeks to reduce the environmental impacts associated with transporting our products, raw materials and people.



ENERGY USE <i>Gigawatt hours (GWH)</i>				
	DIRECT	INDIRECT	TOTAL	% FROM RENEWABLE ENERGY SOURCES
1990	1,527	1,339	2,866	0 percent (baseline)
2006	1,811	1,975	3,786	37 percent
2007	1,818	2,030	3,848	36 percent
2008	1,882	2,019	3,903	34 percent
2009	1,800	1,943	3,743	39 percent

CARBON DIOXIDE NET EMISSIONS <i>Thousand metric tons</i>				
	DIRECT	INDIRECT	INDIRECT OFFSETS	NET EMISSIONS
1990	308	751	0	1,059
2006	341	936	395	883
2007	344	972	385	932
2008	357	968	364	963
2009	337	940	386	891

HOW WE ARE ACHIEVING OUR CARBON DIOXIDE GOAL <i>CO<sub>2</sub> Reduction Projects Since 2005</i>	
Energy efficiency	27
Chiller upgrades	16
Solar PV/thermal	15
Cogeneration	7
HVAC	7
Boiler upgrades	4
Biomass	3
Wind	1

As of December 2009, 80 energy-reduction projects had been approved since 2005 and 62 completed. For approximately \$187 million in capital, we anticipate these projects will collectively reduce CO<sub>2</sub> emissions by 129,000 metric tons annually and provide an internal rate of return of nearly 19 percent. To date, these projects have resulted in approximately 247,000 megawatt hours of cumulative energy savings per year. It should be noted, however, that some of these projects have left the portfolio as facilities have been closed or sold.

#### Owned and Leased Cars

At the end of 2009, our global automobile inventory included approximately 30,000 owned or leased vehicles. Our 2010 goal is to reduce CO<sub>2</sub> emissions per kilometer driven by 30 percent from our 2003 baseline. To meet this goal, we are progressively moving less fuel efficient vehicles out of the fleet, increasing minimum fuel efficiency requirements year over year for new vehicles, adding hybrid electric and ethanol-fueled vehicles, and establishing minimum fuel efficiency requirements for suppliers bidding on Johnson & Johnson contracts. In addition, we reduced vehicle

selections by 50 percent in the U.S., enabling us to not only increase fuel efficiency but also reduce costs associated with fleet management.

Based on figures from the end of 2009, our U.S. fleet included 2,125 hybrid vehicles, approximately 22 percent of our U.S. fleet. In December 2009, we were recognized by *Automotive Fleet* magazine as having the largest corporate hybrid fleet in the U.S.

In past reports, we have calculated our CO<sub>2</sub> emissions per kilometer driven by gathering information on the number of miles driven by each fleet automobile and the amount of fuel used.

However, maintaining accuracy with this method has proved a difficult task with 30,000 vehicles worldwide. This year, we are working on instituting a different methodology for calculating CO<sub>2</sub> emissions, based not on measuring kilometers driven and fuel consumption but on the vehicles' fuel efficiency ratings as published by the government (e.g., U.S. EPA Corporate Average Fuel Economy standards).

While this method does not reflect the impact of individual driving practices, we expect it to be a more reliable and effective measure going forward. Based on this method of calculating, our U.S. fleet averaged 212 grams per kilometer in 2009 compared to 250 grams per kilometer in 2003. This represents a 15 percent improvement.

#### Shipping

Our carbon-reduction efforts extend to the transportation of our products. The Global Transportation Organization—a division of the Johnson & Johnson Sales and Logistics Company, LLC that handles shipping for our three business segments—has been participating in the U.S. Environmental Protection Agency's SmartWay program for the past four years. SmartWay is a voluntary collaboration to increase transportation energy efficiency while decreasing greenhouse gas emissions and air pollution. During 2009, more than 95 percent of our U.S. carriers were SmartWay-approved.

Johnson & Johnson also increased its use of rail to transport freight within the U.S. and between the U.S. and Canada by approximately 24 percent in 2009, equivalent to removing more than 6,800 trucks from the highways. This reduced congestion, decreased the risk of driver-related accidents and saved more than 630,000 gallons of diesel fuel, eliminating

approximately 6,800 tons of CO<sub>2</sub> emissions—a 28 percent reduction in emissions for these shipments since 2008.

#### WATER MANAGEMENT

Water scarcity and quality remain important issues in many parts of the world where Johnson & Johnson has operations, including India, China and some parts of the United States.

In 2005 we set a *Healthy Planet* goal to reduce absolute water use by 10 percent by the end of 2010. Since then, we have reduced absolute water use by 14 percent, to approximately 10.8 million cubic meters in 2009.

Each Johnson & Johnson facility has assessed ways to reduce water use and developed a water conservation plan. Our companies conduct water audits, share best practices and develop ways to increase use of recycled water. We are also working at the local level to encourage investment in water-reuse infrastructure. Challenges include continuing to reduce water use as production increases and reducing water use in the manufacture of our consumer products, where it often serves as a main component.

One way to reduce water use is to use more recycled water in manufacturing. In 2008 we began collecting information on the amount of recycled water used within our facilities. In 2009 we used 0.8 million cubic meters of recycled water.

#### PHARMACEUTICALS IN THE ENVIRONMENT

Pharmaceutical residues in the environment (PIE), mostly due to excretion of medicines by patients and consumers, continue to gain media and regulatory attention. In 2009 the U.S. Environmental Protection Agency updated the list of chemicals it may examine to determine whether

## ENVIRONMENT

regulation may be necessary. Fifteen pharmaceutical products appeared on this list, of which eight are estrogens; a Johnson & Johnson operating company manufactures one of these.

We continue to reduce or eliminate sources of active pharmaceutical ingredients from our manufacturing wastewater discharges. Information gained from periodic wastewater monitoring is used to develop safe levels for these ingredients. At the end of 2009, all our operating companies that produce active pharmaceutical ingredients had characterized their wastewater effluents. In 2009 we commissioned an external science advisory board to evaluate our risk-management strategy for minimizing these discharges, and we are addressing their recommendations.

Research to date indicates that the trace amounts of pharmaceuticals found in water bodies in the U.S. and Europe are unlikely to affect human health but that over time aquatic organisms in certain locations may be affected. The situation is complicated by the possibility that mixtures of PIE substances could result in different impacts than individual substances have on their own. Also, current water treatment approaches are focused on biological contaminants such as human waste rather than on chemical contaminants such as trace amounts of medicines. While significant amounts of many pharmaceuticals are removed by these treatment technologies, some pharmaceuticals are not.

To gain a better understanding of potential treatment options, Johnson & Johnson continues to fund a study with the National Science Foundation and several universities

that assesses cost-effective methods to test for and treat pharmaceuticals in water. Through the trade association Pharmaceutical Research and Manufacturers of America (PhRMA), we are supporting SMARxT Disposal, a unique public-private partnership with the U.S. Fish and Wildlife Service and the American Pharmacists Association designed to educate consumers on the proper disposal of old or outdated medicines.

### WASTE MANAGEMENT AND REMEDIAL ACTIVITIES

Our *Healthy Planet 2010* goal is to reduce hazardous and non-hazardous waste by 10 percent against our 2005 baseline. Between 2005 and 2009, we reduced non-hazardous waste by 32 percent and hazardous waste by 32 percent.

We continue to identify ways to reduce waste as well as recycle or reuse our industrial waste. Our efforts are aided by growing markets for hazardous and

WASTE (in million of kilograms)		
	NON-HAZARDOUS WASTE	HAZARDOUS WASTE
2005	62.3	35.2
2006	57.3	39.5
2007	54.3	34.0
2008	51.9	29.3
2009	42.2	24.0

Figures reflect small corrections as a result of routine data auditing.

### MANAGEMENT OF HAZARDOUS WASTE (in thousands of kilograms)

	ON-SITE	OFF-SITE
Recycled	2,163	12,203
Reused	842	104
Landfilled	0	3,348
Incinerated	0.3	3,756
Energy recovery	606	15,292
Biological/chemical treatment	28	1,500
<b>Total</b>	<b>3,639</b>	<b>36,203</b>

non-hazardous materials; waste streams formerly disposed of as hazardous waste are in some cases now brokered for reuse. One example: By sending approximately 75,000 gallons of acetone annually to the automobile and paint industries for reuse as lacquer thinner, our Global Pharmaceutical Supply Group (ALZA) in Vacaville, Calif., has reduced hazardous waste off-site disposal by more than 50 percent.

Johnson & Johnson is remediating contamination at 16 current or former facilities at a cost of \$5.4 million in 2009. We hold approximately \$45 million in reserve for the continued cleanup of these sites and for any potential waste-disposal-site liabilities. The conditions at these sites are the result of waste management practices that were standard industry practice in the past and, in the case of waste-disposal sites, improper handling of our wastes by vendor companies.

### BIODIVERSITY

Johnson & Johnson achieved one of our *Healthy Planet 2010* goals in 2008: enhancing biodiversity by implementing conservation plans at all our facilities and companies. We have completed 66 biodiversity projects and have 28 more under way around the world. Of these, 68 percent support biodiversity at external locations, 14 percent focus

on enhancing and conserving biodiversity on our properties, 9 percent sponsor endangered species, and 3 percent protect a habitat from an environmental threat (another 6 percent are other types of conservation programs).

The current economic environment makes it challenging to support projects such as these, but we are making progress, in part because our employees volunteer much time and effort toward these projects.

### AIR EMISSIONS

Refrigeration equipment in some of our facilities contains hydrochlorofluorocarbons (HCFCs), which can affect the ozone layer. Johnson & Johnson has committed to eliminate use of HCFCs in equipment greater than five tons of capacity by 2015, five years ahead of the schedule set by the Montreal Protocol. The first steps toward this goal are preparing an emissions inventory and identifying alternative technologies. We are assessing hydrofluorocarbons (HFCs) as well as other substitutes.

In 2009 we began collecting baseline data for emissions of nitrous oxides and sulfur oxides, which are less relevant to our operations than HCFCs. We are enhancing our data accuracy and plan to report these metrics in future years.

### PAPER AND PACKAGING

Our membership in the World Wildlife Fund's North America Forest and Trade Network has helped us understand both the threats to our forests and the ways to protect them. When it comes to forest products, we use our purchasing power to help support sustainable forestry.

Our *Healthy Planet 2010* goal is for 90 percent of office paper and 75 percent of paper-based packaging to contain more than 30 percent post-consumer



PVC-REDUCTION GOALS			
SEGMENT	TYPE OF PACKAGING	2010 GOAL	PROGRESS
Consumer	Primary	100% elimination <sup>1</sup>	100% eliminated (2,490 tons)
Consumer	Secondary & tertiary	100% elimination	92% eliminated (884 tons) <sup>2</sup>
Medical Devices and Diagnostics	Secondary & tertiary	100% elimination	100% eliminated; goal achieved
Pharmaceuticals	Secondary & tertiary	100% elimination	55% eliminated (19 tons) <sup>3</sup>

<sup>1</sup> Does not include over-the-counter drug products in blister packages.

<sup>2</sup> Remaining 82 tons is from bottle neck bands; solutions for replacement are being evaluated.

<sup>3</sup> We have 16 tons of PVC remaining in secondary packaging for two products.

recycled (PCR) content or fiber from certified forests. By the end of 2009, 96 percent of paper-based packaging and 95 percent of office paper met these criteria.

Johnson & Johnson has also established minimum PCR-content requirements for glass, certain plastics and metals in our Consumer segment and set a goal to reduce use of polyvinyl chloride (PVC) packaging across the Company. PVC is used both in primary packaging (which comes into direct contact with the product) and secondary or tertiary packaging (which does not come into direct contact), such as bottle cap seals.

Although validating alternatives to PVC packaging is time-consuming and expensive, we continue to make progress, as outlined in the chart above. We are also working to reduce packaging weight and the energy used to make and transport packaging, and to increase the post-consumer recycled, sustainable and biodegradable materials in our packaging.

**PRODUCT STEWARDSHIP**

Product stewardship means taking responsibility for the environmental and social impacts of our products across their full life cycle. To advance our product stewardship, we have designed and implemented tools for our businesses to

assess products, processes and packaging for environmental impacts and set goals to drive enhanced performance. In 2009 we introduced EARTHWARDS™, a process to help Johnson & Johnson companies understand and improve upon each aspect of a product's environmental footprint.

Our product development teams use the EARTHWARDS™ process and Product Scorecard to analyze five key areas with the potential for the greatest environmental impacts: materials, waste, water, energy and packaging. Product teams use life cycle thinking to determine where the most significant environmental impacts occur and then work to reduce these impacts.

To be considered for EARTHWARDS™ designation, a product must achieve a greater than 10 percent improvement in at least three areas, among other criteria.

Five products earned the EARTHWARDS™ designation in 2009: SUN CRYSTALS®, o.b.® tampons, ACUVUE® OASYS® Brand Contact Lenses, SIMPONI™ (golimumab) and tapentadol HCl (an active pharmaceutical ingredient).

Johnson & Johnson has two *Healthy Planet 2010* product stewardship goals: Each operating company must establish a plan to evaluate and use ingredients and materials

with an improved sustainability profile, and each region must implement an electronics take-back program. At the end of 2009, 100 percent of our operating companies had established a plan to improve the sustainability profile of the ingredients they use.

Our businesses did not realize solid progress in establishing electronic take-back programs in 2009. At the end of 2009, 54 percent of our businesses (calculated on a regional basis) had implemented take-back programs, consistent with our performance in 2008. To better meet this goal, we have developed a global agreement with one of the world's largest electronic take-back companies and have formed a cross-functional team to assist in this effort.

**CONSERVATION PARTNERSHIPS**

In 2008, Johnson & Johnson entered into a three-year Global Development Alliance with the World Wildlife Fund (WWF) to conserve important species and ecosystems in Africa and Nepal.

In addition to the WWF, Johnson & Johnson has long-standing relationships with many conservation organizations, among them The Nature Conservancy of New Jersey, The Wilderness Society and the Conservation Fund. Find out more on [www.jnj.com/OurCaring/Protecting the Environment](http://www.jnj.com/OurCaring/ProtectingtheEnvironment).

**ENVIRONMENTAL LITERACY**

One of our *Healthy Planet 2010* goals is focused on educating our employees about global environmental issues. During 2009, 98 percent of our facilities fielded environmental literacy programs, covering a range of topics such as sustainability, sustainable forestry, water conservation, biodiversity and climate change.

**ECO-TRANSPARENCY**

Johnson & Johnson has a *Healthy Planet 2010* goal to have 100 percent of our manufacturing and research and development facilities providing facility- or company-specific environmental sustainability information to the public. At the end of 2009, 81 percent of our facilities had created a transparency report, available online. These reports are updated annually and include standard information as well as unique site-specific indicators.

We do not anticipate achieving our 2010 goal, as our mix of facilities is constantly changing through acquisition and divestiture. New facilities have a grace period before reporting is expected, and facilities that are closing or being sold are excused from further reporting. Most of the non-reporting facilities fall into one of these categories.

**ENVIRONMENTAL COMPLIANCE**

Our *Healthy Planet 2010* goal is to have no accidental releases or noncompliances and no government-issued fines. Our agency-issued noncompliances continued to trend upward, from 20 in 2008 to 50 in 2009, although the events we are experiencing continue to be minor; we paid \$6,630 to settle the resulting penalties. Most of these were waste handling and air and wastewater permit non-conformances, and all have been corrected.

To address this trend, we are reinforcing our compliance training, putting greater emphasis on the importance of comprehensive and ongoing self-assessments as part of the MAARS program (see chart on page 34).

We also experienced a slight upward trend in our accidental releases. In 2009 we had 16, as compared to 15 in 2008.

# Managing for Sustainable Growth

Through more than a century of change, Johnson & Johnson has been a company of enduring strength, privileged to play a role in helping millions of people around the world live better, healthier lives.

We credit our strength and endurance to a consistent approach to managing our business and to the character of our people. We are guided in everything we do by Our Credo—the management document authored more than 60 years ago by Robert Wood Johnson, our chairman from 1932–1963—and by four strategic principles: being broadly based in human health; operating in a decentralized manner; managing for the long term; and staying focused on our people and values.

Over our history, this approach has allowed Johnson & Johnson to manage through various economic cycles. Recently, we have faced unprecedented economic conditions, coupled with one of the most difficult business periods in the Company's history. While we are always preparing for anticipated patent expirations and competitive challenges, few—if any—forecasters predicted the extent of the worldwide recession and its widespread impact. Virtually all industries, including health care, have experienced extraordinary pressures.

We recognized these economic challenges and initiated appropriate and necessary steps to ensure our ongoing success. We have had to rethink some investments, reduce infrastructure and find ways to operate more efficiently while focusing on the excellent prospects for innovation and growth within Johnson & Johnson.

## ACTIONS AND PLANS ACROSS OUR BUSINESSES

We further consolidated our management structure and took other actions to generate the resources necessary to drive future growth, including aggressive

funding for launching innovative products and services in the near term, pursuit of our most promising longer-term growth opportunities and continuing investments in the development of our people.

In August, we started streamlining our operations by eliminating the Comprehensive Care Group Operating Committee, transferring those businesses into one Medical Devices and Diagnostics segment along with the Surgical Care franchises.

In November, we outlined restructuring actions and plans developed by each of our businesses. These included reducing layers of management, increasing individual spans of control and simplifying processes. Among our difficult decisions was the elimination of some jobs and redefinition of others. We remain committed to the fair and responsible treatment of all affected employees, including prompt notification from leaders in each person's business segment and focused support. We especially recognize the difficult economic environment in which we are implementing our plans. The support we provide varies according to markets and businesses; we include consultation procedures on our plans in countries where these are required.

## CONSUMER

Our Consumer business segment is improving operating efficiency by refining management structures and responsibilities in its businesses. To smooth decision-making, clearer, more consistent lines of responsibility were established for regional vice presidents, impacting their operational relationships with managing directors and franchise general managers; this took effect Jan. 1, 2010.

"We are confident we have the right structure, and the right people, to continue to keep our commitments to the millions of people around the world who count on our Johnson & Johnson consumer products for themselves and their families," says Colleen Goggins, Worldwide Chairman, Consumer Group.

## MEDICAL DEVICES AND DIAGNOSTICS

The Medical Devices and Diagnostics business segment took steps to integrate businesses into one group and made some additional structural changes to ensure that our businesses in this segment remain focused on their core strategies and highest-priority growth platforms and opportunities.

One example: In January 2010, the Cordis, DePuy, Ethicon and Ethicon Endo-Surgery businesses in the Europe, Middle East and Africa (EMEA) region began operating as a fully integrated company, organized by franchise.

"The EMEA region represents one-third of the global device market and is expected to grow significantly in the coming years," says Alex Gorsky, Worldwide Chairman, Medical Devices and Diagnostics. "Not only are we aligning our businesses to deliver against needs in these markets, we're helping to improve care by providing advanced surgical training through our professional training centers."

## PHARMACEUTICALS

The Pharmaceuticals business segment is increasing its focus in several areas: reprioritizing activities to support core products; redeploying significant resources to maximize opportunities with new products and solutions; investing in prioritized internal and external development opportunities to ensure a robust pipeline; and exploring new business models while continuing investments in emerging markets with growth potential.

"Another critical priority that is even more important in times of change is our focus on training, developing and engaging our people," says Sheri McCoy, Worldwide Chairman, Pharmaceuticals. "We're working to ensure that we provide our leaders with meaningful opportunities and infuse diversity of thought throughout the organization."





**EMERGING MARKET INNOVATION** Through our emerging market strategies, Johnson & Johnson continues to prioritize consumer needs in Brazil, Russia, India and China. A first-of-its kind flagship NEUTROGENA® store opened in Mumbai, India, in 2009, creating a new opportunity to meet consumer needs. The store features dermatologists on-site and serves as a platform for educating consumers in India about science-based skin care.

**FINANCIAL IMPACTS OF RESTRUCTURING**

We expect our restructuring plans to increase operational efficiency and generate annualized pretax cost savings of \$1.4 billion to \$1.7 billion when fully implemented in 2011; we expect savings of \$800 million to \$900 million in 2010. These savings will provide additional resources to invest in new growth platforms, ensure the successful launch of many new products and the

continued growth of core businesses, and enable more flexibility in adjusting to the changed and evolving global environment. (Please see Analysis of Consolidated Earnings Before Provision for Taxes on Income and Note 22 to the Consolidated Financial Statements in our 2009 Annual Report for related information.)

“A more streamlined, focused Johnson & Johnson will better serve the

unmet needs of our patients and customers and allow us to increase investment in the most promising areas for growth,” says William C. Weldon, Chairman, Board of Directors, and Chief Executive Officer, Johnson & Johnson. “The products and services we create improve the health and well-being of people around the world, and that remains our most crucial mission.”

# Working for Better Health Care Systems

At Johnson & Johnson, we work with partners in health care to touch the lives of over a billion people throughout the world every day.

We are fortunate to be in this business at a time when innovative treatments and cures for illness and disease are advancing so rapidly and when consumers are taking increasing responsibility for their own care and well-being. Yet unmet health care needs remain, including the need for affordable quality health care worldwide.

In our 2008 report we shared *The Promise of Health Care*, a document that outlines our beliefs about what makes good health care systems work and our role in making good health care available throughout the world. We believe the best models are centered on the needs of individuals and offer access to health care coverage for everyone. As important, these models provide support to help people remain healthy, by promoting wellness and early diagnosis, and receive quality care when needed.

Today, with health care reforms under way throughout the world and the recent vote in the U.S., Johnson & Johnson remains committed to supporting reforms that enhance access to health care, improve the long-term sustainability of health care systems and build on the best aspects of a system that includes incentives for medical progress. We believe appropriate reforms can offer overall opportunities for growth and enhanced care of patients.

There are many areas of discussion—and sometimes debate—in the context of health care reform legislation, especially in the U.S. Two areas where Johnson & Johnson has taken the lead in providing our expertise and perspective are wellness and prevention and comparative effectiveness research (CER).

## WELLNESS & PREVENTION

Around the world, the rising cost of health care is a motivating factor for change. The best way to rein in rising health care spending is to reduce the incidence of disease. We can do that by helping people work toward and maintain good health. Wellness and prevention programs play a critical role in achieving this goal.

American workers, for example, have high rates of chronic disease. With workplace health and wellness programs, companies can effectively improve health, increase productivity and reduce costs. We support efforts to include in health reform legislation incentives that will encourage companies to adopt employee wellness and prevention programs.

“We believe that wellness and prevention programs offer the greatest potential for reducing long-term health care spending while improving health outcomes and therefore must be an integral part of health care reform,” says William C. Weldon, Chairman, Board of Directors, and Chief Executive Officer, Johnson & Johnson.

The Company’s long history and proficiency in creating effective workplace health and wellness programs uniquely qualifies Johnson & Johnson as a resource to policymakers in this important area.

## COMPARATIVE EFFECTIVENESS

Another area of scrutiny relies on finding the most effective interventions and strategies to prevent, diagnose, treat and monitor health conditions for individual patients. Patients with the same disorder may react to the same therapy quite differently—what’s best for one patient may not be what’s best for another. The purpose of comparative

effectiveness research is to develop evidence to guide appropriate use of treatments for individuals.

“We believe the focus of CER should be on providing information to improve individual patient care—not on limiting access to treatment options by applying cost-effectiveness ratios,” says Paul Stoffels, Global Head of Pharmaceutical R&D, Johnson & Johnson. “Properly designed, CER can help establish the value of medicines, procedures and services, leading to a more quality-focused health care system that will improve efficiency and value.”

Johnson & Johnson has been an industry leader in publicly supporting appropriate CER. The Company has helped drive the engagement of several industry groups on CER, including Pharmaceutical Research and Manufacturers of America (PhRMA), Biotechnology Industry Organization (BIO) and AdvaMed.

## ANTICIPATED IMPACT OF U.S. HEALTH CARE REFORM

There are both positive and negative consequences for the Johnson & Johnson businesses that may result from U.S. health care reform. Budget cuts aimed at the pharmaceutical, medical device and diagnostics industries and our customers could reduce access to treatments for some patients or make it more difficult for companies such as ours to make long-term investments in research. On the other hand, it is also likely that a premium will be placed on products and services that help providers offer better quality of care or remove overall costs from the system.

“Important innovations that reduce unnecessary hospital readmissions and allow care to be delivered in a less expensive and less invasive setting should all fare very well in this new environment,” says Cliff Holland, Corporate Vice President, Government Affairs & Policy, Johnson & Johnson. “It will be very important for our businesses to continue to innovate and produce the type of clinical evidence that payers will demand in a reformed health system.”

**HEALTH CARE REFORMS** Cliff Holland is in Washington, D.C., where Johnson & Johnson remains committed to supporting reforms consistent with our belief that the best models for health care are centered on the needs of individuals, offer access to health care coverage for everyone, and provide support to help people remain healthy by promoting wellness and early diagnosis.





# Economic Performance

## OUR ECONOMIC IMPACT

Our Credo, written in 1943, established the business values and philosophy that guide our operating companies. It puts patients and customers first, then our employees, our communities and our shareholders—all of whom are touched by our economic impacts.

People all over the world rely on Johnson & Johnson, not just for our products and services but for other dimensions of our economic impacts, as shown in the chart below.

## MANAGING RISK

Johnson & Johnson recognizes several categories of risk,

including 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 to the Company's Annual Report on Form 10-K, available at [www.sec.gov](http://www.sec.gov) and

[www.investor.jnj.com](http://www.investor.jnj.com).

We also recognize risks posed to Johnson & Johnson by climate change and related policy responses. As part of our continued involvement in the Carbon Disclosure Project, we have evaluated these risks and filed a complete report, available at [www.cdproject.net](http://www.cdproject.net). In our 2009 report, we cited several general risks that will require attention and mitigation strategies: changing regulations; a forecast of more extreme weather events; climate implications that could affect the availability of raw materials or water and alter migration patterns; and

increased cases of disease.

Regulatory risks could include increased energy costs due to taxes and renewable-energy directives, higher costs due to additional requirements for tracking and managing climate change issues, and increased investment of capital in CO<sub>2</sub>-reduction projects. These costs are not anticipated to be material to the cash flow of Johnson & Johnson, as our businesses are not energy-intensive.

Of the risks to our business related to climate change, the most significant in the next decade is an extreme weather event, such as a hurricane or flood that would cause the closing of a manufacturing facility, disruption in the supply chain or loss of product inventory. There is also the possibility that climate change could affect the availability of raw materials for our products.

Though not financially significant, Johnson & Johnson owns and operates several on-site renewable-energy-generation facilities that could generate income from carbon offsets and renewable-energy credits. We are well-positioned to compete in an energy- and carbon-constrained economy, based on our successful, ongoing implementation of energy-efficiency, renewable-energy and carbon-reduction projects.

## ECONOMIC VALUE RETAINED *(In millions of dollars)*

COMPONENT	FY 2009	SOURCE
<b>Direct economic value generated</b>		
a) Revenues	\$61,897	2009 Annual Report: Total Sales
<b>Economic value distributed</b>		
b) Operating costs	\$27,651	2009 Annual Report: Summary of Ops (Cost of Mat. & Serv. )
c) Employee wages and benefits	\$14,587	2009 Annual Report: Summary of Ops (Employment Costs)
d) Payments to providers of capital	\$5,778	2009 Annual Report: Cash Flow Statement (Div payments) + Summary of Ops (Int Exp)
e) Payments to governments	\$5,052	2009 Annual Report: Summary of Ops (Total Tax Expense)
f) Community investments	\$588	2009 Contributions Report, pg 23
<b>Total economic value distributed</b>	<b>\$53,656</b>	
<b>Economic value retained</b> <small>Calculated as economic value generated less economic value distributed</small>	<b>\$8,241</b>	



## BENEFIT PLAN OBLIGATIONS

We sponsor employee-related obligations, among them pension and post-retirement benefits. These include defined benefits (a pension and savings plan), defined contributions (voluntary 401(k)) and termination indemnity plans, covering most employees worldwide.

At the end of fiscal year 2009, the projected benefit obligation was \$13,449 million, and the fair value of the assets equaled \$10,923 million, for a shortfall of \$2,526 million. Discretionary contributions are made when deemed appropriate to meet the plan's long-term obligations. For more information, see Note 10 and page 49 of our 2009 Annual Report, at [www.investor.jnj.com](http://www.investor.jnj.com).

As the U.S. pension plan is provided at no cost, all employees aged 21 and up with at least one year of service participate in the plan. Pension plan offerings vary outside the U.S. and do not exist in all countries.

The voluntary 401(k) 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 funds are disbursed each pay period.



**UNDERSTANDING OUR IMPACT** The catadores have built their lifestyle around recycling wasted materials—a community service and a growing business as companies like Johnson & Johnson seek to include more post-consumer recycled materials in product packaging.

## A Better Standard of Living

The catadores (Portuguese for scavengers) are at the heart of informal waste-recycling in Brazil, playing an important role in supplying raw materials used to package Johnson & Johnson products. While they make a living by foraging to collect recyclable material, the catadores also see themselves as providing a service to their communities.

Since 1992, with the support of nonprofit organizations, the catadores have formed cooperatives and are leveraging their shared voice to rise

from the margins of society. Johnson & Johnson has initiated Project Phoenix, a unique supply chain sustainability effort targeted at further improving the catadores' social conditions.

"We've helped create a certification process and protocol that will establish clear work standards for the catadores as they improve their lives," says Mike Maggio, Vice President, Global Strategic Design Operations, Johnson & Johnson.

Maggio explains the process and protocol are modeled on SA8000, one of the preeminent standards on social responsibility, developed by Social Accountability International. "Together with the Global Corporate Consulting group of Delta Consultants, we've devised a

three-tiered approach that will allow the catadores to move up through various levels and ultimately reach a point that they can improve their process and their lifestyle," says Maggio. "Ultimately, we'd like to see the catadores achieve SA8000 certification."

Establishing a certification process to assure decent working conditions along the supply chain for recyclers also reduces risk, mitigating or eliminating potential failures caused by any behaviors or practices that are inconsistent with Our Credo.

"Project Phoenix is an example of the social, environmental and economic impact we can have because of our business and beyond our business," says Maggio.

# 2009 Selected Recognitions

## AMERICA'S MOST ADMIRED COMPANIES

*Fortune* magazine recognized Johnson & Johnson as the most admired company in the pharmaceutical sector and as the fifth most admired overall.

## THE WORLD'S MOST REPUTABLE COMPANIES

The Reputation Institute ranked Johnson & Johnson as the most reputable company in the United States and the third most reputable company in the world, up from fifth in the world last year.

## THE HARRIS INTERACTIVE REPUTATIONAL QUOTIENT (RQ)

In 2009, Johnson & Johnson ranked No. 1 on this survey, up from second place in 2008. This is the eighth time in the study's 10-year history that Johnson & Johnson has been ranked first. The RQ focuses on six areas that influence reputation and consumer behavior: social responsibility, emotional appeal, financial performance, products and services, vision and leadership, and workplace environment.

## WORLD'S MOST RESPECTED COMPANIES

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

*DiversityInc* magazine named Johnson & Johnson No. 2 on this list, recognizing our Women's Leadership Initiative, now in its 13th year.

## TOP COMPANIES FOR WOMEN EXECUTIVES

The National Association for Female Executives selected Johnson & Johnson as one of the Top 10 of 50 Companies for Women Executives.

## 100 BEST COMPANIES FOR WORKING MOTHERS

*Working Mother* magazine again named Johnson & Johnson to this list, marking our inclusion every year since the list was launched 24 years ago. Our inclusion recognizes our family-friendly policies for flexible work, child care, maternity and paternity leave, and elder care, among others.

## TOP 50 COMPANIES FOR DIVERSITY®

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

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

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.

## FACILITY OF THE YEAR

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.

## CORPORATE EQUALITY INDEX

The Human Rights Campaign Foundation listed Johnson & Johnson on its Corporate Equality Index for the fifth year in a row.

## NEWSWEEK GREEN RANKINGS FOR U.S. COMPANIES

Johnson & Johnson was ranked No. 3 overall and the top health care and pharmaceutical company of the 500 companies evaluated.

## CEO CANCER GOLD STANDARD™ AWARD

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 and is chaired by our CEO, William C. Weldon.

## ENERGY EFFICIENCY PROGRAM OF THE YEAR

Platt's Global Energy honored Johnson & Johnson with this first-time award, recognizing a long-term, systematic commitment to energy efficiency. Judges noted the Company's holistic approach to addressing energy consumption, resulting in innovative solutions.

## TOP COMPANY TO WORK FOR IN INDIA

Johnson & Johnson Ltd. India was ranked as the best company to work for among health care companies in India and as one of the top 10 multinational companies in India, in a study by the Great Places to Work Institute in partnership with *The Economic Times*.

## MBA 100

*Fortune* magazine ranked Johnson & Johnson No. 10 on its list of companies where graduating business students want to work.





**MOMMY'S WORK** Johnson & Johnson continues to be recognized as one of the best places for moms to work (see opposite page). Katie Devine is Group Product Director, Beauty Care, Johnson & Johnson Consumer Companies, Inc. Her daughters Tricia, with Katie in photo, and Anna love knowing the AVEENO® Baby Soothing Relief Moisture Cream their mom uses on their arms and backs comes from Mommy's work. "I know someone special made this for me," Tricia says.

**FIVE BEST PLACES TO WORK  
IN SWEDEN**

The weekly magazine *Veckans Affärer* named Johnson & Johnson one of Sweden's best workplaces in terms of gender distribution, percentage of female managers, gender equality goals and wage dispersion.

**DOW JONES SUSTAINABILITY INDEX,  
NORTH AMERICA AND GLOBAL**

Johnson & Johnson stock has been included in this index since 2000 and is now included in the Global Index as well. The DJSI family follows a best-in-class approach to identify industry leaders.

**WORLD'S TOP 50  
INNOVATIVE COMPANIES**

*BusinessWeek* ranked Johnson & Johnson as one of its Top 50 Innovative Companies for 2009.

**MOST SOCIALLY  
RESPONSIBLE COMPANIES**

The Boston College Center for Corporate Citizenship honored Johnson & Johnson as the fifth most socially responsible company according to an analysis of data collected in the Reputation Institute's 2009 Global Pulse Study.

**FTSE4GOOD INDEX**

Johnson & Johnson has been independently assessed according to FTSE4Good criteria and has met requirements to be part of the index. The designation identifies companies that meet globally recognized corporate responsibility standards.

**GLOBAL GREEN 100**

The Uptime Institute recognized Johnson & Johnson as a 2009 Global Green 100 Honoree for its outstanding corporate commitment to energy efficiency.

DATA SUMMARY TABLE					
ECONOMIC INDICATORS	UNIT	2006	2007	2008	2009
Sales	U.S. dollars, millions % change over previous year	53,324 5.6	61,095 14.6	63,747 4.3	61,897 (2.9)
Net Earnings	U.S. dollars, millions % change over previous year	11,053 9.9	10,576 (4.3)	12,949 22.4	12,266 (5.3)
Share Price (end of calendar year)	U.S. dollars	66.02	67.38	58.56	64.41
Operating Companies	Number (approximate)	200	250	250	250
Employees	Number (approximate)	122,200	119,200	118,700	115,500
R&D	U.S. dollars, millions As % of sales	7,125 13.4	7,680 12.6	7,577 11.9	6,986 11.3
Effective Income Tax Rate	% of income	24.2	20.4	23.5	22.1
Advertising Costs	U.S. dollars, billions As % of sales	1.9 3.6	2.7 4.4	2.9 4.5	2.4 3.9
Charitable Contributions	Total U.S. dollars, millions As % of pretax income Non-cash	544.8 3.7 419.4	509.9 3.8 370.3	510.3 3.0 365.5	588.1 3.7 461.5
EMPLOYEE HEALTH INDICATORS	UNIT	1995-99 AVERAGE	2007-2008		2009
Tobacco Use	% of profiled employees	12	4.2		3.9
High Blood Pressure (above 140/90)	% of profiled employees	12	6.4		6.3
High Cholesterol (above 240 mg/l)	% of profiled employees	19	2		5.3
Inactivity (below 30 mins/day, 4 days/week)	% of profiled employees	39	31.5		20.4
EMPLOYEE SAFETY INDICATORS	UNIT	1995	2007	2008	2009
Serious Injury Illness Rate	Incidents per 100 employees	0.072	0.024	0.032	0.034
Lost Workday Case Rate	Incidents per 100 employees	0.31	0.08	0.10	0.12
Fleet Car Accidents	Crashes per million miles driven	8.76	5.30	5.56	5.75
Ergonomic Injuries	% of lost workday cases	48	33	20	32
Agency-Issued Noncompliances	Number of events (new metric in 2008)	—	—	14	10
Fines Paid	U.S. dollars (new metric in 2008)	—	—	600	2,200
ENVIRONMENTAL INDICATORS	UNIT	2006	2007	2008	2009
Accidental Releases	Number of events	9	9	15	16
Agency-Issued Noncompliances	Number of individual findings	10	13	20	50
Fines Paid	U.S. dollars	5,580	31,410	164,100	6,630
ISO 14001 Certifications (manufacturing and R&D sites)	% facilities with certification	100	100	100	99
Energy Use	Billion BTU (3,412 BTU/KWH)	12,920	13,126	13,318	12,768
CO <sub>2</sub> Net Emissions	Thousand metric tons	883	932	963	891
Voluntary CO <sub>2</sub> Offsets, Including RECs	Thousand metric tons	395	385	364	386
Water Use	Million m <sup>3</sup>	13	11.7	11.5	10.8
Recycled Water Use	Million m <sup>3</sup> (new metric in 2009)	—	—	—	0.8
Non-hazardous Waste	Million kg	57.3	54.3	51.9	42.2
Hazardous Waste	Million kg	39.5	34.0	29.3	24.0



# Healthy Planet 2010

## Goal Performance

### TRANSPARENCY

**Goal:** 100 percent of manufacturing and research and development facilities will provide facility- or company-specific environmental sustainability information to the public.

**Actual:** 81 percent of facilities submitted information by year-end 2009 for posting on [jnj.com](http://jnj.com) during 2010.

### ENERGY USE— CARBON DIOXIDE REDUCTION

**Goal:** Absolute reduction in CO<sub>2</sub> emissions of 7 percent from 1990–2010.

**Actual:** 16 percent decrease from 1990–2009.

**Goal:** Reduce fleet total CO<sub>2</sub> emissions per kilometer driven by 30 percent from our 2003 baseline.

**Actual:** This goal will not be achieved by 2010. We have not been able to transition to more fuel-efficient vehicles at the rate we had originally projected.

### WATER USE

**Goal:** Absolute reduction of 10 percent compared to 2005 baseline.

**Actual:** 14 percent decrease from 2005–2009.

### WASTE REDUCTION

**Goal:** Absolute reduction of hazardous and non-hazardous waste of 10 percent from 2005–2010.

**Actual:** 32 percent decrease in hazardous waste and 32 percent reduction in non-hazardous waste from 2005–2009.

### PAPER AND PACKAGING

**Goal:** Eliminate PVC in primary, secondary and tertiary packaging across the corporation by year-end 2010.

**Actual:** We have eliminated 100 percent of our primary PVC packaging in the Consumer sector excluding OTC blisters and 97 percent of our secondary and tertiary PVC packaging across the Company.

**Goal:** 90 percent of office paper and 75 percent of paper-based packaging will contain more than 30 percent post-consumer recycled (PCR) content or fiber from certified forests by 2010.

**Actual:** 96 percent of packaging and 95 percent of office paper contain more than 30 percent PCR or fiber from certified forests.

### PRODUCT STEWARDSHIP

**Goal:** All operating companies to have a plan to improve their product and process environmental profiles and eliminate high-priority materials.

**Actual:** 100 percent of operating companies have a plan.

**Goal:** Implement an electronics take-back program in all regions to ensure that 100 percent of electronic-based waste products can be taken back for remanufacturing/reuse.

**Actual:** 54 percent of our businesses (calculated on a regional basis) have implemented take-back programs, equal to 2008.

### ENVIRONMENTAL LITERACY

**Goal:** Increase employee awareness and understanding of global environmental issues. 100 percent of facilities have a five-year literacy plan and implement one environmental education campaign each year from 2006–2010.

**Actual:** 98 percent of facilities deployed a literacy campaign in 2009.

### BIODIVERSITY

**Goal:** Enhance biodiversity conservation in areas over which we have control or influence. 100 percent of our facilities or companies have a biodiversity conservation plan.

**Actual:** We achieved this goal in 2008.

### COMPLIANCE

**Goal:** Zero accidental environmental releases; zero government-issued environmental violations.

**Actual:** 16 accidental environmental releases; 50 government-issued violations in 2009.

### EXTERNAL MANUFACTURING

**Goal:** 100 percent of external manufacturers in conformance with Johnson & Johnson *Standards for Responsible External Manufacturing*.

**Actual:** Since establishing our standards in 2006, we have assessed more than 80 percent of our external manufacturers.

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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.

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