



2013 Annual Business Review/Medical Devices and Diagnostics Sector Review

Tuesday, January 22, 2013

8:30 a.m. to 3:00 p.m. (Eastern Time)

The Pierre New York, New York, N.Y.

## AGENDA

<b>Time</b>	<b>Topic</b>	<b>Length</b>	<b>Speaker</b>
7:30 a.m.	Breakfast/Tech Displays	60 minutes	
8:30 a.m.	4Q/2012 Year End Results	25 minutes	Louise Mehrotra VP, Investor Relations
8:55 a.m.	Annual Business Review	40 minutes	Alex Gorsky CEO
9:35 a.m.	2013 Financial Guidance	10 minutes	Dominic Caruso CFO, VP, Corporate Finance
9:45 a.m.	Q&A	45 minutes	Senior Leadership Team
10:30 a.m.	Break/Tech Displays	30 minutes	
11:00 a.m.	Intro-MD&D Day	5 minutes	Louise Mehrotra
11:05 a.m.	Global Surgery	25 minutes	Gary Pruden Worldwide Chair Global Surgery Group
11:30 a.m.	Global Medical Solutions	25 minutes	Karen Licitra Worldwide Chair Global Medical Solutions
11:55 a.m.	Lunch/Tech Displays	50 minutes	
12:45 p.m.	Global Orthopaedics	25 minutes	Michel Orsinger Worldwide Chair, Global Orthopaedics Group
1:10 p.m.	Q&A Panel	60 minutes	Pruden, Licitra, Orsinger
2:10 p.m.	Closing Remarks	5 minutes	Dominic Caruso
2:15 p.m.	Conclusion/Media Briefing in the Salon Room		Pruden, Licitra, Orsinger



## **Alex Gorsky**

Chairman of the Board, Chief Executive Officer

Alex Gorsky is Chairman of the Board and Chief Executive Officer of Johnson & Johnson and Chairman of the Executive Committee, the Company's senior leadership team. Alex is the seventh person to serve as Chairman and CEO of Johnson & Johnson since it became a publicly traded company in 1944.

Alex began his Johnson & Johnson career as a sales representative with Janssen Pharmaceutica in 1988. Over the next 15 years, he advanced through positions of increasing responsibility in sales, marketing, and management. In 2001, Alex was appointed President of Janssen, and in 2003, he was named Company Group Chairman of Johnson & Johnson's pharmaceuticals business in Europe, the Middle East and Africa.

Alex left Johnson & Johnson in 2004 to join the Novartis Pharmaceuticals Corporation, where he served as head of the company's pharmaceuticals business in North America.

Alex returned to Johnson & Johnson in 2008 as Company Group Chairman for Ethicon, Inc. In early 2009, he was appointed Worldwide Chairman of the Surgical Care Group and also was appointed to the Johnson & Johnson Executive Committee. In September 2009, he was appointed Worldwide Chairman of the Medical Devices & Diagnostics segment.

In January of 2011, Alex was named Vice Chairman of Johnson & Johnson's Executive Committee. As Vice Chairman, Alex was responsible for Johnson & Johnson's Medical Devices & Diagnostics segment, the largest business of its kind in the world; the Johnson & Johnson Supply Chain, which includes a global network of 140 manufacturing facilities; the Company's Government Affairs & Policy Group; the Company's Health Care Compliance and Privacy Group; and the Johnson & Johnson Development Corporation, the Company's venture capital subsidiary.

A longtime advocate of diversity and inclusion, Alex was named the 2009 Mentor of the Year by the Healthcare Businesswomen's Association, an organization he has been involved with for many years. He is the Executive Sponsor of two Johnson & Johnson employee resource groups, the Women's Leadership Initiative and the Veteran's Leadership Council.

Alex holds a Bachelor of Science degree from the U.S. Military Academy at West Point, N.Y., and spent six years in the U.S. Army, finishing his military career with the rank of Captain. Alex earned a Master of Business Administration degree from The Wharton School of the University of Pennsylvania in 1996.



**Dominic Caruso**

Vice President, Finance and Chief Financial Officer

Dominic Caruso, Vice President, Finance and Chief Financial Officer, serves as a member of the Company's Executive Committee and has responsibility for financial and investor relations activities, as well as the Company's procurement organization. He assumed his current position in January 2007.

Dominic Caruso joined the Corporation in October 1999 as Chief Financial Officer for Centocor, Inc., with the completion of the merger of Centocor and Johnson & Johnson. Prior to joining Johnson & Johnson, he had been with Centocor since 1985 with responsibilities for finance, information management, investor relations, procurement and facility services. He also served as general manager of Centocor's Diagnostic Division. Prior to joining Centocor, he had varied industry experiences with the audit and tax services firm KPMG.

In 2001, Dominic Caruso was named Vice President of Finance for Ortho-McNeil Pharmaceutical and a member of its management board. He was named Vice President, Group Finance for Medical Devices & Diagnostics, and a member of the Medical Devices & Diagnostics Group Operating Committee in May 2003. Dominic Caruso assumed responsibility for the Group Finance organization in December 2005, the position he held until being named to his present position.

Dominic Caruso graduated from Drexel University with a B.S. degree in business administration. He currently serves on the Board of Trustees of The Children's Hospital of Philadelphia



## **Sandra Peterson**

Group Worldwide Chairman and Member of the Executive Committee

Sandra E. (Sandi) Peterson is Group Worldwide Chairman and Member of the Executive Committee since December 1, 2012. Ms. Peterson is responsible for the Consumer Group of Companies, as well as the Johnson & Johnson Supply Chain and Information Technology organizations.

Prior to joining Johnson & Johnson, Ms. Peterson was Chairman and Chief Executive Officer of Bayer CropScience AG, based in Europe. Previously, she was president and chief executive officer of Bayer Medical Care and president of Bayer HealthCare AG's Diabetes Care Division. Before joining Bayer in 2005, she spent five years in leadership roles at Medco Health Solutions (aka Merck-Medco), where she was responsible for a number of businesses, marketing, strategy, and the application of information technology to healthcare systems. Ms. Peterson previously led R&D, quality, regulatory affairs and procurement at Nabisco, Inc., and worked in strategy, finance and product development at Whirlpool Corporation. She began her career in consulting with McKinsey & Company, Inc.

A graduate of Cornell University with a B.A. in Government, Ms. Peterson also holds an M.P.A. in Applied Economics from Princeton University. She is a member of the board of directors of The Dun & Bradstreet Corporation.



## **Karen Licitra**

Worldwide Chairman, Global Medical Solutions

Karen Licitra is Worldwide Chairman, Global Medical Solutions Group within Johnson & Johnson's Medical Device and Diagnostics segment. She is responsible for setting the strategy and vision for a portfolio of healthcare companies including the Vision Care, Diabetes Care and Ortho Clinical Diagnostics (OCD) franchises, as well as Advanced Sterilization Products (ASP) and the Sedation business unit. Karen also leads the MD&D center of excellence for regulatory affairs. Prior to her current role, she was Company Group Chairman for Johnson & Johnson and Worldwide Franchise Chairman for Ethicon Endo-Surgery, Inc., and Johnson & Johnson Medical, Canada.

Karen is known for creating innovative new growth platforms and has a wealth of domestic and global industry experience acquired during 28 years in sales, marketing, commercial and general management. She began her Johnson & Johnson career in 1984 as a sales representative with Ethicon, Inc. She advanced through positions of increasing responsibility in sales and marketing and in 1996 she was promoted to Vice President, Product Management. With the acquisition of the Biopsy Medical business in 1997, Karen was named Vice President, Breast Care Management where she led the successful integration of that business. She became Vice President and General Manager, Ethicon Endo-Surgery, Inc., in September 2000, was promoted to President in December 2000, and named Company Group Chairman in 2002.

Karen serves on the Board of Directors of the Advanced Medical Technology Association (Advamed), a trade association focused on the medical technology industry, and is a member of the Board of Trustees for the St. Peter's Healthcare System. She is also the Board Chair for the Campaign to End Obesity, a cause committed to advancing national policy and platforms to combat obesity.

A native of New Jersey, Karen earned a bachelor of science degree in marketing from Rider College (now Rider University).



## **Gary Pruden**

Worldwide Chairman, Global Surgery Group

Gary Pruden is the Worldwide Chairman of Johnson & Johnson's Global Surgery Group, a role he assumed in January 2012.

Prior to this role, Gary was the Company Group Chairman and Worldwide Franchise Chairman for ETHICON and a member of the Medical Device and Diagnostics Group Operating Committee, a role he assumed in January 2009.

Gary joined Johnson & Johnson in 1985 with Janssen Pharmaceutica in New Jersey and held a number of senior positions in sales, marketing, and strategic account management. In 2001, he was named Vice President of Marketing for the Primary Care Franchise and was responsible for establishing significant growth for the GI, Pain, and Mycology businesses. He then assumed the role of VP of Sales and Marketing for the CNS Franchise in 2003, helping to successfully launch new brands and establish significant new growth. Early in his career, Gary also worked as a sales representative for Baxter Edwards in their Critical Care division.

In April 2004, Gary was appointed President of Janssen-Ortho Inc., a brand-name pharmaceutical company headquartered in Toronto, Canada. He also functioned as the company's Chief Operating Officer. In his position, Gary oversaw all operations in Canada. He successfully led the team through several lifecycle and patent expiries, while at the same time enabling Janssen-Ortho to become the fastest growing large pharmaceutical company in Canada in 2004.

In November 2004, Gary was appointed to the Board of Directors of Canada's Research-Based Pharmaceutical Companies, the industry association for ethical manufacturers of brand-name, prescription medicines in Canada.

In January 2006, Gary was appointed WW President of Ethicon Products and also served as a member of the Ethicon Global Management Board.

Born in Washington Township, NJ, Gary is a graduate of Rider University and has a Bachelor of Science Degree in Commerce.



## **Michel Orsinger**

Worldwide Chairman, DePuy Synthes Companies

Michel Orsinger is the Worldwide Chairman of DePuy Synthes Companies following the completion of the acquisition of Synthes, Inc. in June 2012. Previously, Michel was President & CEO of Synthes, Inc., a position he held from 2007 to 2012. He joined Synthes in 2004 when he was retained as Chief Operating Officer. Prior to joining Synthes, Michel spent eleven years with Novartis in various executive management positions, most recently as President and CEO of the OTC (Over-the-Counter) Division Worldwide. He began his career with Procter & Gamble and Mars Inc.

Michel served as a member of the Nobel Biocare Board of Directors from 2004 to 2006, and from 2011 to present.

Michel holds a Business Administration Degree from University of St. Gallen (Switzerland). He attended the Advanced Management Program, Harvard Business School (U.S.A.) and the Advanced Management Program, INSEAD (France).

Michel is a Swiss citizen, born in Africa and raised in Colombia, Argentina and Switzerland. He speaks German/Swiss-German, English, French and Spanish fluently. He lives in Villanova, Pennsylvania (U.S.A.), with his wife and two children.



## **Michael Sneed**

Vice President, Global Corporate Affairs

Michael Sneed is Vice President, Global Corporate Affairs for Johnson & Johnson. He has primary responsibility for the corporation's global marketing and communications functions. He assumed this position in January 2012.

Michael joined Johnson & Johnson in 1983 as a Marketing Assistant for Personal Products Company. During his tenure, he held positions of increasing responsibility in marketing at PPC. In 1991, Michael moved to McNeil Consumer Products as a Group Product Director and was promoted to Vice President, Worldwide Consumer Pharmaceuticals in 1995 to lead the company's growth in the Asia Pacific, Eastern European and Latin American regions.

In 1998, Michael relocated to Europe as Managing Director, McNeil Consumer Nutritionals Europe. He returned to the U.S. as President, McNeil Nutritionals Worldwide, in 2000. In 2002, he was named Global President, Personal Products Company. Michael was promoted to Company Group Chairman and a member of the Consumer and Personal Care Group Operating Committee in 2004, with North American responsibility for the Personal Products Company, Johnson & Johnson Sales and Logistics Company and Johnson & Johnson Consumer Canada. In that role, Michael also had North American responsibility for the IT, Finance and HR organizations within the Consumer & Personal Care group.

In 2007, Michael moved to Johnson & Johnson's Medical Device & Diagnostic Sector as Company Group Chairman for Johnson & Johnson's global vision care franchise and a member of the MD&D Group Operating Committee.

He holds a master's degree in business administration from the Tuck School of Business at Dartmouth College and a bachelor of arts' degree, cum laude, from Macalester College.

Michael is a member of the board of trustees at Macalester College and a member of the board of directors of Family Service Association. He also serves on the Advisory Board of LaSalle University's Graduate Pharmaceutical Marketing Program.



## **Louise Mehrotra**

Vice President, Investor Relations

Louise Mehrotra, Vice President Investor Relations. She is responsible for all communications with the investment community including securities analysts, portfolio managers and individual investors. In this role, she directs the dissemination of the Company's financial and business information and interprets operating trends to Wall Street. Louise assumed her current position in September 2005.

Louise began her career at Johnson & Johnson in Canada in 1980. With over 30 years with the Company, she has held various positions of increasing responsibility in the areas of Finance and Compliance. She has held assignments at several Johnson & Johnson operating companies and Johnson & Johnson World Headquarters. Her experience includes four years at Janssen Pharmaceutica, N.V., in Belgium, where she supported the finances of the International Marketing group, as well as pharmaceutical and chemical manufacturing management.

In 2001, Louise was appointed vice president of Finance, chief financial officer and a member of the management board at Janssen Pharmaceutica Products, L.P., in Titusville, N.J. She also served as the Chief Compliance Officer for Janssen Pharmaceutica Products, L.P.

Most recently, Louise served as vice president, Worldwide Health Care Compliance, where she was responsible for the implementation and oversight of the Worldwide Health Care Compliance Program throughout the Johnson & Johnson Family of Companies.

Louise is a graduate of Sir Sanford Fleming College and is a Certified Management Accountant. She is on the Board of Trustees at the Francis E. Parker Memorial Home. She is a member of the Financial Women's Association of New Jersey, the Conference Board's Council for Division Leaders (Finance). She was a past member of the Mercer County Board of Trustees for National Alliance for the Mentally Ill and served on the board of the Nature Conservancy of New Jersey. She is also the recipient of the Tribute to Women – YWCA Princeton Award and an honoree by the Executive Women of NJ organization.



**Global Medical Solutions**  
MD&D Business Review  
Tuesday, January 22, 2013

The Global Medical Solutions (GMS) Group is a diverse portfolio of businesses which compete in large markets that address pressing needs in the global healthcare arena. In 2011, GMS generated \$9 billion with market-leading positions. The portfolio includes:

- Lifescan and Animas:** blood glucose meters and insulin pumps for people with diabetes,
- Johnson & Johnson Vision Care:** contact lenses for vision correction,
- Advanced Sterilization Products (ASP):** infection prevention solutions,
- Ortho Clinical Diagnostics (OCD):** in-vitro diagnostics (IVD) and transfusion medicine products, and
- Sedation Systems Business Unit:** computer-assisted personalized sedation technology.

**Johnson & Johnson Family of Diabetes Companies**

Johnson & Johnson has a long history of patient-centric innovation and market leadership in the diabetes category. For example, LifeScan, Inc. helped pioneer today's blood glucose monitoring market with the introduction of the original OneTouch<sup>®</sup> Systems that made home blood glucose testing simple and accurate for the first time. The OneTouch<sup>®</sup>Ping<sup>®</sup> Glucose Management System was the first to integrate a full- function insulin pump with a blood glucose meter that also operates the pump remotely. And our newest glucose monitoring platform, OneTouch<sup>®</sup>Verio<sup>®</sup>, offers the first and only blood glucose monitoring systems to identify patterns of high and low blood glucose and alert patients right on the screen.

With the shared vision of "Creating a world without limits for people with diabetes," there are five members of the Johnson & Johnson Family of Diabetes Companies:

- **LifeScan, Inc.**, a world leader in blood glucose monitoring,
- **Animas Corporation**, maker of innovative insulin delivery systems,
- **Calibra Medical, Inc.** maker of a unique, wearable mealtime only insulin patch,
- **Children with Diabetes, Inc.**, a community offering support and education for children, adults and their families living with diabetes, and the
- **Johnson & Johnson Diabetes Institute, LLC**, that empowers healthcare professionals with education and training programs to improve the quality of life for people with diabetes.

### Glucose Monitoring Product Portfolio Highlights:

- OneTouch<sup>®</sup> Verio<sup>®</sup> IQ Glucose Monitoring System is based on our newest technology platform and is designed for accuracy and precision. OneTouch<sup>®</sup> Verio<sup>®</sup> products with PatternAlert<sup>™</sup> Technology are the first meters to find patterns of high and low blood sugar and provide alerts right on the screen. With every test, the meter compares the current result with previous results and alerts the patient when it finds a pattern. This enables the patient and their health care professional to more easily recognize the issue and take action.
- OneTouch<sup>®</sup> Verio<sup>®</sup> Sync Glucose Monitoring System will wirelessly send glucose results to an Apple iPhone, iPad or iPod touch & allow users to view, manage & share their diabetes-related information—including pattern alerts—from their mobile device. The product is pending 510K clearance.
- OneTouch<sup>®</sup> SelectSimple<sup>™</sup> Glucose Monitoring System was specifically designed to meet the unique needs of emerging markets. With no set-up, no coding, and no buttons, it makes testing blood sugar easier and faster. To help patients understand what their results mean, preset audio and visual alerts signal high or low blood sugar requiring action. Priced to make testing more accessible in emerging markets, the product was launched in India and is now available in eight countries in Asia Pacific including, China, Korea and Indonesia as well as Russia and Mexico.
- OneTouch<sup>®</sup> Verio<sup>®</sup> Pro+ Glucose Monitoring System meets the needs of point of care facilities throughout ASPAC & EMEA where patients visit their local hospital or outpatient clinic for periodic glucose testing and counseling. Based on our OneTouch<sup>®</sup> Verio<sup>®</sup> platform, it is specially designed so healthcare professionals can provide care in a high-volume, multi-patient setting with confidence. The product became available in Malaysia in August and will be launched in 22 countries, including China, throughout 2013.

### Insulin Delivery Product Portfolio Highlights:

- Wearable Mealtime Only Insulin Patch. In July 2012, the Johnson & Johnson Family of Companies acquired Calibra Medical, Inc. of Redwood City, CA. Calibra Medical is the developer of a unique, wearable three-day insulin patch designed to offer a convenient and discrete mealtime insulin dosing option for people with diabetes who take multiple daily injections (MDI) of insulin. This new wearable insulin patch is intended to make it easier for patients to adhere to their prescribed mealtime insulin therapy and help them achieve and maintain good diabetes control.
- OneTouch<sup>®</sup> Ping<sup>®</sup> Glucose Management System is the first system to integrate a full-function insulin pump with a blood glucose meter that also operates the pump remotely.

OneTouch® Ping® gives pumpers the option to use the meter-remote or the pump unit directly for many glucose management functions like calculating and delivering a bolus.

- Animas® Vibe™ Insulin Pump and CGM System integrates Dexcom continuous glucose monitoring technology with an Animas insulin pump providing adults living with diabetes even more options for improved blood glucose control than when on MDI or with pump therapy and SMBG. The advanced Dexcom® G4™ Platinum sensor is approved for up to seven days of wear. It is the only CGM-enabled pump that is waterproof (up to 12 feet for 24 hours) and has a high-contrast color screen for outstanding readability. The Animas® Vibe™ System is currently available in Europe. Now that the FDA has approved Dexcom's G4 Platinum continuous glucose monitor, we are committed to submitting the PMA for our joint Animas® Vibe™ Glucose Management System as soon as possible.

#### Future Innovations:

- Closed-loop insulin delivery. In January 2010, Animas began collaborating with industry, academia and advocacy organizations, like the JDRF, to develop a significant advancement in treating type 1 diabetes: closed-loop insulin delivery. Recently, we completed the 2<sup>nd</sup> phase of human studies and the data have been accepted for presentation at the Advanced Technologies and Treatments for Diabetes (ATTD) meeting in Paris, France (Feb.27 – March 2). We are encouraged by the positive data we have seen in our clinical studies to date. Our path forward will focus on the development of an algorithm that will predictively manage low glucose—a major unmet need in pump therapy today.

The Johnson & Johnson Family of Diabetes Companies are well positioned for continued leadership and success in the category as we continue to drive innovation in our core businesses while entering and creating new market segments to more fully meet the needs of patients throughout their lives with diabetes along the continuum of care.

#### **Johnson & Johnson Vision Care, Inc.**

Johnson & Johnson Vision Care, Inc. is the world's leading innovator and manufacturer of disposable contact lenses. Anchored by its mission to bring healthy vision to everyone, everywhere, every day, the Company has set industry standards through groundbreaking technology and revolutionary products. Its best-selling ACUVUE® Brand revolutionized the contact lens industry with the world's first disposable soft contact lens in 1987 and has since introduced numerous first-to-market innovative products.

Recent additions to the ACUVUE® Brand portfolio include:

- Designed to keep eyes looking white and healthy, *1-DAY ACUVUE® TruEye®* Brand Contact Lenses, the world's first daily disposable silicone hydrogel lens, is a breakthrough in

contact lens technology with a distinctive balance of properties that enables it to offer exceptional comfort, comparable to a contact lens-free eye.

- *1-DAY ACUVUE® DEFINE™ NATURAL SHINE™* is designed to enhance the natural beauty of one's eyes in a subtle, yet meaningful way. The lens provides bigger eyes that look naturally sparkling and luminous every day without compromising comfort or health.
- Along with the health and convenience benefits of wearing a fresh contact lens every day, *1-DAY ACUVUE® MOIST®* Brand Contact Lenses for ASTIGMATISM feature a proprietary *BLINK STABILIZED™* Design, which harnesses the natural pressures of a blinking eye to help keep the lens in place and quickly realign the lens if it rotates out of position, providing wearers with consistent, all-day vision.

The Vision Care Institute™, LLC, a Johnson & Johnson Company, ([www.tvciedu.com](http://www.tvciedu.com)) is an innovative professional resource for eye care providers. Headquartered in Jacksonville, Fla., with 17 centers around the world, these state-of-the-art facilities give participants a rare opportunity to experience the latest in vision diagnostic and treatment technologies through hands-on instruction, including training on contact lens fitting and prescribing. More than 70,000 (8,500 US) attendees have received training worldwide.

## **ASP**

One out of 20 hospitalized patients will contract a healthcare-associated infection (HAI), according to the Centers for Disease Control and Prevention. ASP (Advanced Sterilization Products) is a global developer of innovative infection prevention solutions and educational programs. For over 25 years, the company has been dedicated to protecting patients, healthcare workers, and the environment with technology, products, and services that focus on raising the standard of care.

### **Infection Prevention Platforms and Key Product Lines**

ASP's four global business platforms\* are targeted at helping healthcare facilities raise the standard of care for patients and reduce the risks and costs of Healthcare Associated Infections (HAIs):

- Terminal sterilization is a process whereby the medical device is sterilized in its final container and available for immediate or later use. Offering the highest level of sterility assurance, ASP's STERRAD® System technology is the proven leader in advancing sterilization practices. STERRAD® Systems provide fast, terminal sterilization using low-temperature hydrogen peroxide gas plasma technology.
- High-level disinfection ensures delicate endoscopes and semi-critical medical devices are disinfected for patient use. ASP's high-level disinfection solutions—such as the EVOTECH®

ECR— reduce the labor and time involved in manual endoscope processing. This product was the first FDA-cleared high-level disinfection system that eliminates the need for manual cleaning of endoscopes.\*\*

- Automated Area Decontamination (AAD) is an important complement to traditional healthcare facility cleaning. ASP's newest infection prevention technology, GLOSAIR™ Automated Area Decontamination, provides effective and thorough disinfection of patient environments when used as directed as an adjunct to manual cleaning. GLOSAIR is currently not available in the U.S. market but is available in other markets around the world.
- Hand hygiene is one of the most effective ways to prevent the spread of infections and the core of our Healthcare Antisepsis Solutions (HAS) platform. ASP offers a full line of MICROSIELD® Skincare Products in many parts of the world to keep skin clean and protected from the risk of infection.

*\* Not all products are available in all markets.*

*\*\* Does not eliminate bedside precleaning. Manual cleaning of medical devices (endoscopes) is not required prior to placement in the EVOTECH® ECR when selecting those cycles that contain a wash stage.*

### **Ortho Clinical Diagnostics**

The Ortho Clinical Diagnostics (OCD) franchise is a global business specializing in the development of instruments and tests for transfusion medicine and clinical laboratories. Ortho Clinical Diagnostics is a leading provider of *in vitro* diagnostic products and services, offering accurate, timely, and cost-effective solutions for screening, diagnosing, monitoring and confirming diseases. The company is committed to providing customers with products, services and process solutions to make labs more efficient in delivering the quality test results doctors and patients need. For nearly 70 years, Ortho Clinical Diagnostics has pioneered some of the most important technological advances in diagnostics.

Recent product launches for the company include the VITROS® Immunodiagnostic Products Total PSA II and Free PSA Assays, two new diagnostic tests that aid in monitoring and detecting prostate cancer; the VITROS® 4600 Chemistry System, a state-of-the-art analyzer that delivers high-quality, reliable test results for mid- to high-volume laboratories using the same core technologies that drive reliability and efficiency throughout the company's portfolio of products; and the Avioq® HTLV-I/II Microelisa System assay, a new test developed in partnership with Avioq, Inc. to screen blood and organ donations for antibodies to human T-lymphotropic virus (HTLV) type I and II.

On December 27, 2012 Ortho Clinical Diagnostics sold the Therakos business to The Gores Group, an investment firm. This decision enables OCD to refine their focus on the core diagnostics business and better position the company to seize the defined and emerging growth opportunities in this space.

The business is committed to enabling diagnostics to fulfill its important role in the continuum of care. OCD aims to develop new growth platforms that can lead to further understanding of health and disease, enabling doctors to predict conditions and select personalized treatment opportunities for their patients.

### **Sedation Systems Business Unit**

The Ethicon Endo-Surgery, Inc. (EES) Sedation Systems business unit was created in 2001 to establish the foundation for a transformative new medical device category in patient sedation (CAPS). The CAPS system is designed to provide trained healthcare professionals access to propofol for patients undergoing routine colonoscopy, and upper gastrointestinal endoscopy (EGD) procedures with the belief that this would encourage additional screenings, detect issues early and potentially save lives.

The business unit focused its attention on the field of gastroenterology and the diagnostic procedures that detect and help prevent colorectal cancer (CRC), a deadly disease that, when detected early, is among the most preventable cancers. The Centers for Disease Control estimates that only about one-third of Americans who should be screened are following the recommended screening guidelines. As a result, a staggering 42 million Americans remain unscreened.<sup>i</sup>

Sedation Systems worked initially with an anesthesiologist who developed the concept of CAPS. Then, gathering experts in anesthesia, anesthetic pharmacology, patient safety, drug administration technology, patient monitoring, human factors engineering, gastroenterology and nursing, Sedation Systems built upon the concept to create the CAPS system, which would respond to the colon cancer screening need.

By integrating state-of-the-art drug delivery and patient monitoring, the SEDASYS<sup>®</sup> System enables physician-led teams to deliver personalized sedation to healthy adult patients undergoing routine colonoscopy and EGD procedures. It automatically detects and responds to signs of over-sedation (oxygen desaturation and low respiratory rate/apnea) by stopping or reducing delivery of propofol, increasing oxygen delivery and automatically instructing patients to take a deep breath. The SEDASYS<sup>®</sup> System monitors and records patient vital signs and additional parameters and patient responsiveness.

In 2008, EES submitted applications for regulatory approval for the SEDASYS<sup>®</sup> System in the United States, Canada, Australia and the European Union. In 2009, Health Canada approved the

SEDASYS<sup>®</sup> System for use during colonoscopy. In 2010, the European Union granted the SEDASYS System CE Mark authorization for colonoscopy and EGD procedures. Also in 2010, the SEDASYS<sup>®</sup> System was approved in Australia for colonoscopy and EGD procedures. In addition, the business unit has initiated a clinical development program for the SEDASYS System in Japan.

The SEDASYS<sup>®</sup> System remains an investigational device in the U.S. An approvable letter was received in early 2012. To date the amendments containing information on labeling and post-approval study design have been submitted, and the business unit is currently in dialogue with the Food and Drug Administration (FDA) regarding final requirements for the independent third-party training program. The business unit is hopeful that the FDA will review the amendments in a timely fashion and issue an approval order for the SEDASYS<sup>®</sup> System PMA application.

The Ethicon brand is used for the products of Ethica, Inc. and Ethicon Endo-Surgery, Inc., two companies with a long history of medical innovation, which provide globally a broad range of surgical technologies and products (including sutures, staplers, clip applicators, trocars and meshes) used to treat colorectal and thoracic conditions, women's health conditions, hernias, cancer and obesity. Ethicon, Inc. and Ethicon Endo-Surgery, Inc. are part of the Johnson & Johnson family of Companies.

SEDASYS<sup>®</sup> is a trademark of Ethicon Endo-Surgery, Inc.

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i Seeff L, Manninen DL, Dong FB, Chattopadhyay SK, Nadel MR, Tangka FK, Molinari NM, Is there endoscopic capacity to provide colorectal cancer screening to the unscreened population in the United States, *Gastroenterology* 127, 6, 1661-1669

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**Global Orthopaedics**  
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The Global Orthopaedics business of DePuy Synthes is comprised of Joint Reconstruction, Trauma, Spine, Sports Medicine and Power Tools. DePuy Synthes Companies offers an unparalleled breadth of products, services, programs, and research and development capabilities that are designed to advance patient care and deliver clinical and economic value to health care systems throughout the world. DePuy Synthes leads the \$41B Orthopaedics and Neuro market with the largest and most comprehensive portfolio in the space. DePuy Synthes Companies offers products and services across eight businesses that focus on joint reconstruction, trauma, spinal surgery, sports medicine, neurological, cranio-maxillofacial, biomaterials and power tools. These businesses are managed in two groups: Global Orthopaedics and Global Neurological.

With approximately 19,000 employees worldwide, DePuy Synthes Companies has a presence in more than 60 countries around the world. The company generates nearly \$10 billion in annual revenue, operates 26 production sites and has 30 facilities worldwide. Principal offices are located in Raynham, Massachusetts, U.S.; West Chester, Pennsylvania, U.S.; Warsaw, Indiana, U.S.; Leeds, England; and Solothurn, Switzerland.

**DePuy Synthes Joint Reconstruction**

Founded in 1895, DePuy Joint Reconstruction (DePuy) is a global leader in joint replacement with a comprehensive portfolio of hip, knee and shoulder replacements, operating room products and bone cement and accessories. DePuy was the first orthopaedic company in the United States and since that time has consistently turned innovative ideas into medical devices that help restore patient mobility. DePuy has reshaped the orthopaedic landscape with leading products such as PINNACLE® Hip Solutions, the SIGMA® Knee portfolio and the GLOBAL® Shoulder portfolio. Soon, DePuy will be launching the ATTUNE™ Knee System, which is designed to maximize both stability during movement and range of motion. Other new technologies include the Anterior Approach, which is a less invasive alternative to traditional hip replacement and TRUMATCH® Personalized Solutions, which assists the surgeon with knee implant alignment.

**DePuy Synthes Spine**

DePuy Synthes Spine is the second largest spine company in the world with one of the most comprehensive portfolios of spinal care solutions that address key areas including thoracolumbar, cervical, aging spine, interbody fusion, arthroplasty and minimally invasive surgery. The company's leading solutions include comprehensive systems like the EXPEDIUM® Spine System and MATRIX™ Spine System to treat spinal conditions ranging from scoliosis to degenerative disc disease; the VIPER® 2 System for minimally invasive spine surgery; PRODISC®-C Total Disc Replacement and the ZERO-P® family of interbody fusion

devices to treat the cervical spine; a complete line of VBA™ instruments and implants, including CONFIDENCE SPINAL CEMENT SYSTEM®, Vertebral Body Balloon System (VBB™) and Vertebral Body Stent\* System (VBS™) (sold only outside the United States) to treat vertebral compression fractures; and finally, a suite of biomaterial solutions.

### **DePuy Synthes Mitek Sports Medicine**

DePuy Synthes Mitek Sports Medicine is a global leader in orthopaedic sports medicine devices and products used in the treatment of traumatic and degenerative soft tissue pathologies and joint injuries related to sports and physical activity. The company's portfolio includes non-surgical and minimally invasive therapies to help patients move beyond joint injuries and pain. Product lines include ORTHOVISC® (High Molecular Weight Hyaluronan) for the treatment of pain due to osteoarthritis of the knee; the OMNISPAN™ Meniscal Repair System; arthroscopic fluid management with the FMS Fluid Management System; the VAPR VUE® Radiofrequency System with COOLPULSE®90 Technology for tissue ablation; and a comprehensive range of tissue fixation devices for biomechanical knee, shoulder and elbow repair. The company also recently launched the ENDURANCE™ Hip System for hip arthroscopy.

### **Synthes Trauma**

Synthes Trauma fixation products, including screws, plates, nails and other implants, are used to treat fractures and deformities related to the extremities and pelvis. The company is the global leader in medical devices used to treat orthopaedic trauma. Synthes Trauma revolutionized plating by being the first company to introduce locked plating. Synthes continues to innovate with a full line of anatomically focused Variable Angle Locked Plating and its newly introduced Dynamic Locking Screw (DLS™) System, which allows the surgeon to modulate the rigidity of locked plating constructs. Synthes Trauma also has developed a comprehensive range of nailing systems, most recently adding the new "screw-in-screw" technology found in the MultiLoc™ Humeral Nail. In 2006, the company entered into the clinical services and solutions arena with the establishment of the Synthes Geriatric Fracture Program ([www.synthesgfp.com](http://www.synthesgfp.com)) to collaborate with hospitals and re-engineer the entire patient care process for elderly patients with hip and fragility fractures.

### **Synthes Power Tools**

Synthes Power Tools offers a comprehensive range of air, electric and battery-driven systems and associated dissections tools. Synthes offers products in three main areas: Large Bone, Small Bone and High Speed. Large Bone tools, such as Air Power Line (APL™), Battery Power Line (BPL™) and Trauma Recon System (TRS™) are used mostly in joint replacement surgery and heavy duty trauma. Small Bone tools, including Small Battery Drive II (SBDII™), Small Electric Drive (SED™), as well as Electric (EPD™) and Air Pen Drive (APD™) Systems are designed for most trauma applications as well as cranio-maxillofacial surgery. High Speed Systems, including the XMax® and eMax2Plus Systems, are designed for neurosurgery, neurotology, spinal procedures and otolaryngology procedures.

## **Global Neurological**

The company's neurological business includes Codman & Shurtleff, Inc. and Synthes Cranio-Maxillofacial (CMF). It also includes Biomaterials, which provides products and support to all the Neurological and Orthopaedics businesses.

### **Codman Neuro**

Codman Neuro offers a broad portfolio of devices used to treat patients suffering from debilitating neurological disorders. The company is a global leader in neurosurgery, neurovascular intervention and neuromodulation. Product lines include the CODMAN<sup>®</sup> CERTAS<sup>™</sup> Programmable Valve for hydrocephalus, BACTISEAL<sup>®</sup> Catheter Systems to reduce colonization of gram positive bacteria, the MEDSTREAM<sup>™</sup> Programmable Infusion System for muscle spasticity, as well as comprehensive solutions for the treatment of neurological conditions requiring surgical intervention and critical care. Minimally invasive technologies for stroke prevention and management include the DELTAMAXX<sup>®</sup> Microcoil System and ORBIT GALAXY<sup>®</sup> G2 Microcoils, the CODMAN ENTERPRISE<sup>®</sup> Vascular Reconstruction Device (VRD) and Delivery System<sup>1</sup>, and the REVIVE<sup>™</sup> SE Thrombectomy Device<sup>2</sup>.

### **Synthes CMF**

The global leader in cranio-maxillofacial devices, Synthes CMF offers a comprehensive portfolio of products for surgeons to treat patients who have sustained conditions affecting their face, head, neck and thorax. The portfolio includes the market-leading Matrix<sup>™</sup>Mandible System, Matrix<sup>™</sup>Midface System, Matrix<sup>™</sup>Neuro System and Matrix<sup>™</sup>Rib Systems. Innovative patient-specific implants allow Synthes CMF to work with surgeons and their hospitals to create precise, tailored implants for particularly challenging cases.

### **DePuy Synthes Biomaterials**

DePuy Synthes Biomaterials provides a wide range of innovative products that complement the use of traditional metal implants in trauma, spine and cranio-maxillofacial surgical procedures. Our biomaterials assist orthopaedic surgeons around the world with their mission to repair, protect and strengthen the structural core of the human body. Notable Synthes Biomaterials' solutions include the market leading DBX<sup>®</sup> Demineralized Bone Matrix (DBX<sup>®</sup> is a registered trademark of the Musculoskeletal Transplant Foundation); Norian<sup>®</sup> Drillable, the first bone void filler in the U.S. cleared for drillability in trauma procedures of the extremities; CRANIOS REINFORCED<sup>™</sup> bone cement designed to resist cracking during the setting process in cranio-maxillofacial reconstruction procedures; the Expert<sup>®</sup> Tibial Nail PROtect<sup>™i</sup> (not available in the U.S.) coated with antibiotic-laden polymer developed to provide protection from bacterial colonization on the implant surface; and RapidSorb<sup>®</sup> Resorbable Fixation System, an implant for young children that resorbs after the cranio-maxillofacial bones have healed.

## **Education for Healthcare Professionals**

Across all platforms and around the world, DePuy Synthes Companies is committed to supporting the medical community with world-class education. The ultimate goal of our professional education platform is to advance the standard of care for patients through ubiquitous access to continuous learning and progressive skills development.

## **DePuy Synthes Institute, LLC**

Each of the operating companies is supported by a world-class professional education system in the DePuy Synthes Institute. Focused on providing training across a continuum of care to a wide range of stakeholders, the DePuy Synthes Institute creates innovative, tailored learning environments for anytime, anywhere education through on-line learning mediums, as well as in-person, hands-on and didactic events.

## **AO Foundation**

The AO Foundation is a non-profit organization that is committed to excellence in the surgical management of trauma and disorders of the musculoskeletal system. The AO Foundation is a medically-guided, global network of orthopaedic surgeons aimed at improving patient care. Membership includes more than 10,000 surgeons in 100 countries who work to develop and improve principles, surgical techniques, implants and instruments as well as offer education courses around the world for trauma, spine, cranio-maxillofacial and veterinary surgery. Synthes provides the AO Foundation with support for Continuing Medical Education (CME) activities and for clinical and non-clinical research and operation of a product review and validation system.

At DePuy Synthes Companies we create inspired solutions that advance patient care. We listen to the needs of our customers, their patients and the marketplace to redefine innovation and deliver a broad array of quality orthopaedic and neurological solutions that go beyond surgical devices to include procedural solutions, programs and services. To learn more, please visit [www.depuysynthes.com](http://www.depuysynthes.com).

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<sup>1</sup> HUMANITARIAN DEVICE (USA ONLY): The CODMAN ENTERPRISE® Vascular Reconstruction Device and Delivery System is authorized by Federal Law for use with embolic coils for the treatment of wide-neck, intracranial, saccular or fusiform aneurysms arising from a parent vessel with a diameter of  $\geq 2.5\text{mm}$  and  $\leq 4\text{mm}$ . Wide-neck is defined as having a neck width  $\geq 4\text{mm}$  or a dome-to-neck ratio  $< 2$ . The effectiveness of this device for this use has not been demonstrated.

<sup>2</sup> EU only, not available in the USA

<sup>3</sup> Not available in the USA



**Global Surgery Group**  
MD&D Business Review  
Tuesday, January 22, 2013

Approximately one million surgical procedures are performed every day around the world, many of them utilizing technologies created by Johnson & Johnson's Global Surgery Group. In 2012, the Global Surgery Group generated approximately \$11 billion in sales. Our strength is illustrated by the fact that about 80% of our sales come from businesses where we hold #1 or #2 global market share positions. We do business around the world, with about 60% of our sales generated outside the U.S., including a fast-growing presence in emerging markets. And we are committed to innovation, with about 30% of our sales coming from products introduced in the past five years and a robust pipeline of new products.

The Global Surgery Group is comprised of businesses that are trusted, pioneering leaders in their fields:

### **Ethicon Surgical Care**

Our Ethicon Surgical Care business is a leading provider of a broad range of technologies – including sutures, staplers, clip applicators, trocars, and meshes – used in a wide variety of minimally-invasive and open surgical procedures, such as those treating colorectal, thoracic, and women's health conditions, hernias, cancer, and obesity. Major product lines and recent new product innovations include:

- In wound closure, we offer the “plus” line of coated antibacterial sutures, as well as the DERMABOND<sup>®</sup> line of topical skin adhesives. We recently entered the fast-growing “barbed suture” market with the launch of STRATAFIX<sup>™</sup> Knotless Tissue Control Devices. With significantly more points of fixation than traditional sutures, STRATAFIX<sup>™</sup> devices give surgeons more consistent control over every pass through the tissue, and combine the strength and security of interrupted closure with the efficiency of continuous closure. We also recently introduced EVERPOINT<sup>™</sup> Cardiovascular Needles, which are made from a new alloy that is stronger and stiffer than stainless steel, enabling significant improvements in needle performance during cardiovascular surgery.
- Our portfolio of hernia solutions includes SECURESTRAP<sup>™</sup>, our first entry into the hernia fixation market, and PHYSIOMESH<sup>™</sup>, our next-generation hernia mesh.
- For laparoscopic procedures, we recently launched the ECHELON FLEX<sup>™</sup> Powered ENDOPATH<sup>®</sup> Stapler, the industry's first powered endocutter. This provides surgeons with greater instrument stability, potentially resulting in less damage to the targeted area and surrounding vital organs and tissue.

### **Ethicon Energy**

Our Ethicon Energy business is the world's leading provider of energy-based devices used to cut, coagulate, and seal tissue during open and laparoscopic surgical procedures. Patients benefit from less

tissue damage, while surgeons benefit from greater precision and control. We offer the broadest portfolio of energy-based devices, including two complementary energy modalities: our HARMONIC® ultrasonic technology, first introduced 20 years ago, and our ENSEAL® advanced bipolar technology.

In 2011, we launched the first ever Advanced Energy Generator (shown at right) made to power both ultrasonic and advanced bipolar technologies. It's easy to set-up and use and portable, enabling surgical teams to place more focus on their patients versus their equipment.

In 2012, we received FDA 510(k) clearance for the HARMONIC ACE®+ Shears with Adaptive Tissue Technology. Working in concert with our new Generator, the device responds intelligently to varying tissue conditions by regulating energy delivery and providing surgeons with enhanced audible feedback. This enables the HARMONIC ACE®+ Shears to exhibit 23% less thermal spread, while delivering 21% shorter transection times, compared with the previous-generation HARMONIC ACE®.

Our new ENSEAL® "G2" line includes the ENSEAL® G2 Super Jaw device, launched in 2011, and the ENSEAL® G2 Curved and Straight Tissue Sealers, launched this year. The G2 line provides surgeons with the broadest portfolio of advanced bipolar tissue sealers, offering more options in both open and minimally invasive surgical procedures such as colorectal, gynecological and general surgery.

### **Ethicon Biosurgery**

Our Ethicon Biosurgery business offers the most comprehensive, global portfolio of products used to help control bleeding during surgical procedures or resulting from traumatic wounds. Major products include EVICEL® Fibrin Sealant (Human) (shown at right) and the SURGIFLO® line of absorbable hemostats. The 2012 acquisition of Guangzhou Bioseal, a company specializing in porcine plasma-based fibrin sealants, enables us to enter the fast-growing Chinese biosurgery market with an advanced biologic solution.

In December 2012, we received FDA approval of the EVARREST™ Fibrin Sealant Patch. EVARREST™ combines two biomaterials with two plasma-derived biologics (human thrombin and fibrinogen) in a single device that has the potential to drive a paradigm shift in the treatment of problematic bleeding during surgery. Upon contact with a bleeding wound surface, EVARREST™ mimics the last step of blood clot formation in a natural physiological reaction – the biological components react, initiating hemostasis, as the matrix of biomaterials provides physical support for clot formation.

More information can be found at <http://www.ethicon360.com/products/ethicon-biosurgery>.

### **Cardiovascular Care**

Our Cardiovascular Care business, which includes Biosense Webster and Cordis, is a leading provider of products to treat cardiovascular disease, which affects 300 million people worldwide.

Biosense Webster is the world's leading provider of catheter-based technology used by electrophysiologists to diagnose, map, and treat cardiac arrhythmias, more commonly known as irregular heartbeats. The CARTO® 3 System provides physicians with a real-time, three-dimensional

view of where they are working within a patient's beating heart to within one millimeter of accuracy. The THERMOCOOL® SMARTTOUCH™ Contact Force Sensing Catheter, available in Europe, uses a proprietary spring-tip-based catheter to provide information about the precise amount and direction of the force being applied.

Cordis is a leading provider of access and diagnostic products for interventional cardiology procedures and endovascular products to access and treat lower extremity disease. Major products include the S.M.A.R.T.® line of stents, used to treat iliac disease, and the EXOSEAL™ Vascular Closure Device, used to close the femoral artery puncture site created during catheterization procedures.

More information can be found at <http://www.biosensewebster.com> and <http://www.cordis.com>.

### **Mentor**

Our Mentor business is a leading provider of products for the global aesthetics market, including breast implants and facial aesthetics and body contouring products. In 2012, Mentor introduced MEMORYGEL® Ultra High Breast Implants, which offer the highest available projection compared to most currently available implants and an optimized fill volume to maintain its shape.

More information can be found at <http://www.mentorwllc.com>.

### **Acclarent**

Our Acclarent business offers physicians less-invasive surgical solutions to treat patients suffering from conditions affecting the ear, nose and throat. Acclarent's Balloon Sinuplasty™ technology is an endoscopic, catheter-based technology used by surgeons to treat chronic sinusitis. During this procedure, a sinus balloon catheter is inserted into the nasal passage, then gradually inflated to gently restructure the previously blocked nasal passage, maintaining the integrity of the sinus lining and restoring normal sinus drainage and function. Sinusitis affects 37 million people each year, making it one of the most common health problems in the U.S.

More information can be found at <http://www.acclarent.com>.

### **Sterilmed**

Our Sterilmed business is a leader in the reprocessing of Class I and Class II medical devices in North America, helping healthcare providers lower their medical device and equipment costs, while also reducing the amount of waste they generate. Reprocessed devices typically cost about 50% less than new devices. Sterilmed's programs also save over 2.5 million pounds of medical waste a year from being sent to landfills.

More information can be found at <http://www.sterilmed.com>.

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# 2011 Responsibility Report



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# About This Report

GRI 3.1-3.11, 3.13

This report provides Johnson & Johnson's sustainability activities and progress as of December 2011. It is our ninth annual Sustainability Report and 15th year reporting environmental progress. Report preparation has been informed by feedback from our contact mailbox ([responsibility@its.jnj.com](mailto:responsibility@its.jnj.com)), the social investment community, non-governmental organization and multiple stakeholder engagements, and senior company leadership input and comments.

Our 2011 reporting process includes a Sustainability Report Summary (print and online), our 2011 Responsibility Report (pdf available online) and our Sustainability website ([www.jnj.com/responsibility](http://www.jnj.com/responsibility)).

Our Johnson & Johnson Sustainability website provides a holistic picture of our sustainability approach and performance. Our Summary Report provides our progress against our 2015 Healthy Future Goals. The 2011 Responsibility Report presents additional information on our goals, and an update on our sustainability material issues. The primary audience for this report and our sustainability website site are our external stakeholders, who are an extremely broad and diverse group. The Company has a variety of other mechanisms by which it shares sustainability and citizenship progress internally.

As with past reports, information presented here represents the manufacturing and research & development facilities operated by the Johnson & Johnson Family of Companies, unless otherwise indicated. No external manufacturing is included in our data, except as indicated in this report. As we engage further with our supply chain on sustainability topics, additional information on these efforts will continue to be incorporated into our reports. There have been no significant changes from previous reporting periods in the scope, boundary or measurement methods applied in this report.

**ON THE COVER**

**Trusting in Iconic Brands:** When Christine Young's children experience a scrape or cut, she relies upon NEOSPORIN® antibiotic ointment and BAND-AID® Brand Adhesive Bandages to help them feel better. When used together, as marketed by the Johnson & Johnson Family of Consumer Companies educational campaign "Always Squeeze Then Stick," the two products provide exceptional wound care.

**Global Reporting Initiative (GRI)**

Our 2011 Responsibility Report has been prepared consistent with the Global Reporting Initiative's 2006 Sustainability Reporting Guidelines (G3 Guidelines), and we are self-declaring to Level B. A GRI Index is included, with references to G3 indicators. No external assurance has been sought.

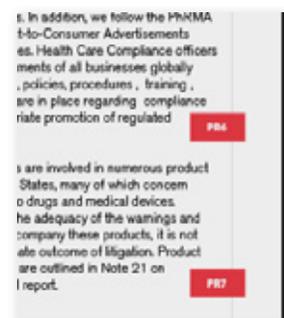
**Feedback and Further Information**

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

**A Note About Locating GRI Indicators**

In addition to a GRI index at the back of this report, we have provided a guide box on each page to denote where content related to specific GRI indicators can be found. The following key presents two-letter abbreviations for the standard disclosure areas outlined by the Global Reporting Initiative. These abbreviations, along with numbers that correspond with performance indicators, appear throughout this report near the respective entries.

- EN** Environmental
- HR** Human Rights
- LA** Labor Practices and Decent Work
- SO** Society
- PR** Product Responsibility
- EC** Economic
- GRI** Global Reporting Index



# Letter from the Chief Executive Officer

GRI 1.1

Johnson & Johnson is a company that does good and does well. This is perhaps the simplest expression of how we live up to the principles of Our Credo. Written in 1943, Our Credo continues to guide the way we conduct business: always in service of the patients, customers, doctors, nurses, mothers, fathers and all others who use our products and services. It outlines our responsibilities to our , the communities in which we live and work, to the world community, to protect the environment and natural resources and finally, to our stockholders. Our Credo is itself the basis of our corporate citizenship and sustainability.

We increasingly understand citizenship as all the ways we impact the world, socially, environmentally and economically. As the world's most broadly based health care company, Johnson & Johnson is privileged to play a role in the health and well-being of billions of people throughout the world. We must use our capabilities, our strengths, and expertise to make a real, lasting and profound difference in the world.

## Performance Against Priorities

Our citizenship priorities are fourfold: advancing human health and well-being; safeguarding the planet; keeping our business strong; and conducting business responsibly. Partnerships and alliances played an important role in our sustainability performance in 2011.

**Advancing human health and well-being:** We're working together to advance global health. Our efforts range from generic licensing partnerships that help us to enhance access to our HIV medicines; to a collaboration between Johnson & Johnson, the World Health Organization, the Bill & Melinda Gates Foundation, the U.S. and U.K. governments, officials from endemic countries, the World Bank and 12 other pharmaceutical companies for a coordinated effort to combat 10 neglected tropical diseases; to public/private partnerships such as the United Nations' Health 4+ and our work with other partners including Children Without Worms, Save the Children, the American Academy of Pediatrics and USAID, who are partners in our efforts to support the United Nations' Millennium Development Goals to improve the lives of women and children.

In 2011 alone, we invested \$7.5 billion to advance robust pipelines across all three business segments, including making



Alex Gorsky  
Chief Executive Officer, Johnson & Johnson

Johnson & Johnson the U.S. leader in new molecular approvals. From developing new medicines to improving current standards of care and increasing access to health care, our work focuses on significant unmet health care needs.

**Safeguarding the planet:** We have a strong history of leadership in environmental goal setting and achievement, and we're expanding the way we think about how we impact the planet. One way is by working within our own businesses, across our enterprise supply-chain model to reduce complexities and redundancies so we can consistently produce high-quality products that are environmentally conscious. Our EARTHWARDS® process has enabled product teams to apply sustainability concepts throughout each product's life cycle. In 2011 we granted EARTHWARDS® recognition for 15 products, bringing our total to 26 products that have measurably reduced environmental impacts.

We're also targeting our water conservation efforts, having mapped the location of our manufacturing facilities against known areas of water stress. We've increased the amount of clean-technology energy capacity that is installed or under construction. In addition, we've transformed and expanded our supplier standards to reach beyond our external manufacturers and go further regarding sustainability, applying the new standards to our entire supplier base.

**Keeping our business strong:** We are focused on maintaining a strong, successful global business that can extend access to health care in an economical and sustainable manner and enable us to continue developing new health care innovations. Whether it is bringing the highest quality products for mothers and children, for patients and customers; introducing lower cost versions of products that are equally accurate and effective in emerging markets; or training and educating physicians in developing markets, we utilize various approaches and strategies to ensure the long-term success of our business and the long-term benefits for our patients and consumers.

In 2011, our worldwide sales of \$65.0 billion, an increase of 5.6 percent, returned Johnson & Johnson to sales growth. We launched a number of innovative new products to address unmet health care needs across the globe, advanced our pipelines, and strengthened our product portfolios and leadership positions in many areas, including immunology, oncology, surgical devices, and emerging markets.

**Conducting business responsibly:** Our Credo inspires us to do great things. We strive to deliver high-quality products and services to meet our customers' needs, and to do it accurately and promptly. We say we must treat each other with respect and be open to each other's ideas. We promise to be good citizens of the world, protecting natural resources. We commit to experimenting with new ideas, and by extension, to learning from failure. By staying focused on these ideals, we will live up to our own expectations and those of our customers. We're listening to our customers and other stakeholders to help us to continue to be a trusted partner in health and well-being.

GRI  
4.5, 4.10

For example, we held stakeholder dialogues on executive compensation and then redesigned our long-term incentive program for named executive officers with the aim of drawing a more visible link between pay and performance. We became the first health care company to join the prestigious Billion Dollar Roundtable upon achieving global spending of at least \$1 billion with diverse suppliers and increased our spend with diverse suppliers to \$1.3 billion in 2011.

Overall, we continue to embed sustainability into our business. We delivered good first-year progress on our five-year *Healthy Future 2015* sustainability goals, tracked by our enterprise Sustainability Working Group. Also, all three business segments now have business-specific sustainability strategies and goals.

### Navigating Change

Our business environment is changing rapidly. The health care environment is shaped by factors including variable macro economics, shifting demographics and new dynamics in government, reimbursement and regulation. These changing world economies and marketplaces result in increased demand for health care and health care reforms, and present opportunities for us as the world's most broadly based health care company.

We're focused on areas identified by a sustainability materiality assessment completed in March 2010. These include topics around access and affordability of medicine, emerging markets, human rights, supply chain management, product eco-design and environmental impacts. We're also working to advance global health, ensure quality and safety of products (including anti-counterfeiting measures), drive innovation, and to uphold our principles related to bioethics, operation of clinical trials, business ethics and health care compliance.

Science and technology also continue to evolve in ways that will help uncover solutions to health care needs as well as

other social and environmental challenges. We need to foster even more innovation, whether it comes from our own research facilities or from strategic alliances and partnerships with others.

### Outlook and Strategic Approach

How people around the world achieve good health, in a sustainable manner, is likely to be the most significant challenge for our generation. To meet this challenge we must create value through innovation in what we do and how we do it; have a global reach and a local focus; execute with excellence—everything we do must be of high quality—and act as leaders at all levels of our organization.

In the short term, our priorities are clear: repair the issues in our Consumer over-the-counter business, keep up the momentum in our Pharmaceuticals business, and effectively integrate the largest acquisition in our history, Synthes Inc.

Other priorities are of longer-term interest. For example, Johnson & Johnson remains committed to improving the lives of women and children. In 2010 we pledged to support the United Nations' Millennium Development Goals. Our efforts are focused on maternal and child health initiatives, as well as innovation in treatment for HIV/AIDS and tuberculosis (TB). We made good first-year progress and announced additional commitments in 2011.

Our *Healthy Future 2015* sustainability goals express our ongoing commitment around advancing global health, safeguarding the planet, supplier sustainability, transparency and other areas related to our material issues. We will continue to work toward our *Healthy Future 2015* sustainability goals and work with stakeholders to understand their expectations of us regarding areas identified in our sustainability materiality assessment.

As I stated earlier, Our Credo is the basis for our citizenship. So much good can come from living by its principles: good for our employees, good for our company, good for the environment, but mostly good for the customers and patients who rely on us every day. It is in this way we are enabled to make a real, lasting and profound difference in the world.

Sincerely,



Alex Gorsky  
Chief Executive Officer, Johnson & Johnson

# Successes and Challenges

GRI 1.2

## 2011 Successes

### Advancing Human Health and Well-Being

- Continued development of new and existing treatments for HIV and TB and enhancing access to these treatments for patients around the world; expanded the scope of our Janssen Global Access and Partnership Program and licensed generic partners to speed access to rilpivirine, an important new first-line medicine to treat HIV.
- Continued our commitment to research and development by investing more than \$7.5 billion. More patents were awarded in 2011 than in any other year in our Company's history. More than 625 new products were launched in 2011 across the enterprise.
- Sales in emerging markets were up 13 percent operationally in the BRIC markets (Brazil, Russia, India and China). In addition, we launched six new pharmaceutical products in Japan, the world's second-largest pharmaceutical market.
- Our Pharmaceuticals group launched four products and a dozen major regional brands and entered a new strategic category, vaccines. We advanced our pipeline in all five key therapeutic areas, with an unprecedented and industry-leading regulatory approval of three New Molecular Entities—ZYTIGA® (abiraterone acetate) in oncology, XARELTO® (rivaroxaban) in cardiovascular disease and EDURANT® (rilpivirine) in HIV—as well as a number of line extensions.
- Janssen Pharmaceutical Companies of Johnson & Johnson launched Healthy Minds, a significant new commitment in funding, R&D and education to help reduce stigma and improve public understanding of mental health conditions, and to encourage collaboration to accelerate the discovery of new therapeutic solutions for brain disease.
- Announced a new collaboration between Johnson & Johnson, the World Health Organization, the Bill & Melinda Gates Foundation, the U.S. and U.K. governments, officials from endemic countries, the World Bank and 12 other pharmaceutical companies for a coordinated effort to combat 10 neglected tropical diseases. As part of the effort, we'll work with other partners on pre-clinical research and clinical development of flubendazole, an effective treatment for intestinal parasites originally discovered and developed by renowned researcher Dr. Paul Janssen, founder of Johnson & Johnson's Janssen Pharmaceutica. Dr. Paul Stoffels, Worldwide Chairman, Pharmaceuticals, played an important role in establishing the collaboration.
- Became the first company to support the United Nations' Health 4+, the joint action platform that aims to coordinate

the UN Secretary General's Global Strategy on Women and Children's Health at the country level. Johnson & Johnson will support pilot training for health care workers in Tanzania and Ethiopia in order to provide critical prenatal and obstetric care for mothers and newborns.

- Provided a one-year update of strong progress made on our five-year comprehensive pledge to the United Nations' Millennium Development Goals. Our efforts are focused on maternal and child health initiatives, as well as innovations in treatment for HIV/AIDS and TB. In addition, we:
  - Pledged additional support over the next four years to help eliminate transmission of HIV from infected mothers to their infants, as part of a new UN Global Plan.
  - Extended our commitment to donate mebendazole for the treatment of intestinal worms in children in the developing world through Children Without Worms for five additional years. In 2011, we more than doubled our donation from 36 million doses in 2010 to 80 million doses by the end of 2011.
  - Began Helping Babies Breathe (HBB), a program to train health workers in safe birth techniques. HBB is expected to save the lives of thousands of babies in Uganda and Malawi, and is being implemented in collaboration with Save the Children, the American Academy of Pediatrics and USAID.
- In conjunction with other partners, launched the Mobile Alliance for Maternal Action, which uses mobile phones to deliver prenatal and post-birth health information to new and expectant mothers in the developing world. Over the next three years, the program will reach mothers in Bangladesh, India and South Africa.
- Announced our collaboration with the Mayo Clinic as a leading partner in the Clinton Global Initiative's Global Smoke-Free Worksite Challenge, which aims to expand the number of employees who work in a smoke-free environment. Johnson & Johnson will share what we've practiced and learned as a 100 percent smoke-free work environment since 1997.
- Announced our involvement in a partnership led by the U.S. Department of Health & Human Services that's committed to expanding the QuitNowTXT interactive text-based intervention for adult smokers beyond the United States.
- Achieved a 6 percent increase over 2010 in employees completing a health risk profile.
- Achieved a 15 percent improvement in contractor safety resulting from targeted efforts around large-capital construction projects.
- Developed a human rights training program that is being deployed in our Procurement organization.

### Safeguarding the Planet

- Granted EARTHWARDS® recognition for 15 products; EARTHWARDS® is the Johnson & Johnson process that improves the sustainability of our products.

- Launched the top-selling NEUTROGENA® Naturals skin care line, which incorporates sustainable design elements to reduce the environmental impacts of the products and packaging. NEUTROGENA® also established a partnership with The Nature Conservancy to support protection of natural sources of clean water.
- Debuted a sugarcane-based plastic container for SUNDOWN® brand sun care products in Brazil—the only brand in Brazil's sun care segment to use this greener technology.
- Mapped the location of our manufacturing facilities against known areas of water stress (quality or availability) to target our water conservation efforts.
- Increased the amount of clean-technology energy capacity that is installed or under construction by 33 percent over 2010 to 38 megawatts.
- Transformed and expanded our supplier standards to reach beyond our external manufacturers and go further regarding sustainability. The new Standards for Responsible Suppliers applies to our entire supplier base.
- Confirmed that 109, or 36 percent, of our 306 strategic suppliers establish and publicly report on two or more sustainability goals.
- Enlisted 97 suppliers, representing more than \$2 billion in spend, to participate in the Carbon Disclosure Project's Supply Chain program.
- Began sharing sustainability information for 30 percent of our targeted 23 major brands.

### Conducting Business Responsibly

- Held stakeholder dialogues on executive compensation and then redesigned our long-term incentive program for named executive officers with the aim of drawing a more visible link between pay and performance. The new criteria were applied to 2011 executive performance.
- Delivered solid financial results, with 5.6 percent sales growth and our 28th consecutive year of adjusted earnings increases.
- Maintained our AAA credit rating, one of only four industrial companies with this rating.
- Delivered a total shareholder return of nearly 10 percent for 2011, exceeding the S&P 500 and the Dow Jones Index.
- Delivered 49 years of consecutive dividend increases—one of only eight companies in the S&P 100 to achieve that record.
- Returned employee satisfaction to the highest levels measured in three years.
- Became the first health care company to join the prestigious Billion Dollar Roundtable upon achieving global spending of at least \$1 billion with diverse suppliers. Increased our spend to \$1.3 billion in 2011, representing 10.4 percent of our total supplier spend.
- Initiated voluntary disclosure of payments to physicians by our U.S. Medical Devices and Diagnostics companies. (Disclosure

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of these payments by our U.S. Pharmaceutical companies began in 2010.)

- Delivered good first-year progress on our five-year Healthy Future 2015 sustainability goals (see results summary, inside back pocket).
- Continued to embed sustainability into the fabric of our business. All three business segments now have business-specific sustainability strategies and goals. Internally, our segments are furthering the engagement and alignment of their associates via interactive websites, videos, online communities of interest, volunteering and personal sustainability plans. Externally, they are engaging and collaborating with customers to deliver sustainable products and services.

## 2011 Challenges

- **Tightening integration of our quality systems across the enterprise.** In 2011, McNeil Consumer Healthcare signed a consent decree with the U.S. Food and Drug Administration, which governs certain manufacturing operations. We incurred costs for the recall of DePuy Orthopaedics, Inc.'s ASR™ XL Acetabular System and ASR™ Hip Resurfacing System.
- **Reinforcing our culture of compliance.** Stemming from subsidiaries outside the U.S. that were believed to have made improper payments in connection with the sale of medical devices, we entered into a three-year Deferred Prosecution Agreement with the U.S. Department of Justice and related agreements with the U.S. Securities & Exchange Commission and the U.K. Serious Fraud Office.
- **Reducing complexity and redundancies throughout our global supply chain** so our companies can consistently produce high-quality products, maintain reliable supply and increase customer satisfaction. Manufacturing problems at a supplier created a shortage of Janssen Products, LP's cancer drug DOXIL® (doxorubicin HCl liposome injection) in 2011.
- **Managing pricing pressures.** Our Medical Devices and Diagnostics segment is facing more pressure on product prices because hospital customers are looking for cost relief. The global economy has also affected sales of medical devices, with people postponing non-acute care.
- **Reversing a 7 percent increase in crashes among our fleet of vehicles.** While well below our baseline year of 1995, our crashes per million miles driven increased in 2011 to 5.94 from 5.53 in 2010.
- **Continuing to reduce our water consumption.** While we achieved a 1.2 percent absolute reduction in water in 2011, more than 15 years of implementing water-saving projects and the low cost of water make further water reduction projects less financially feasible.

# Company Profile

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Johnson & Johnson, through its Family of Companies (“the Company”), 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 operating companies employ approximately 118,000 employees in 60 countries who are engaged in the research and development, manufacture and sale of a broad range of products in the health care field. Globally, the supply chain network across Johnson & Johnson includes 120 manufacturing facilities, some 300 distribution centers and more than 600 external manufacturers.

The Company is organized into three business segments: Consumer, Pharmaceutical and Medical Devices and Diagnostics.

## Our Brands

The Consumer segment includes a broad range of products used in the baby care, skin care, oral care, wound care and women’s health care fields, as well as nutritional and over-the-counter pharmaceutical products and wellness and prevention platforms. These products are marketed to the general public and sold both to retail outlets and distributors throughout the world.

The Pharmaceutical segment includes products in the following areas: anti-infective, antipsychotic, contraceptive, dermatology, gastrointestinal, hematology, immunology, neurology, oncology, pain management, thrombosis, vaccines and infectious diseases. These products are distributed directly to retailers, wholesalers and health care professionals for prescription use.

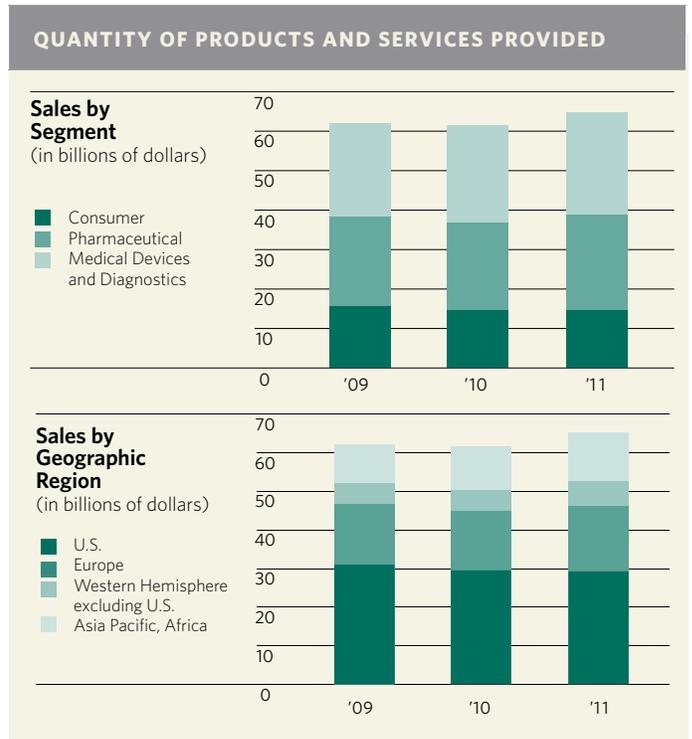
The Medical Devices and Diagnostics segment includes a broad range of products distributed to wholesalers, hospitals and retailers used principally in the professional fields by physicians, nurses, therapists, hospitals, diagnostic laboratories and clinics. These products include Cardiovascular Care’s electrophysiology and circulatory disease management products; DePuy’s orthopaedic joint reconstruction, spinal care, neurological and sports medicine products; Ethicon’s surgical care, aesthetics and women’s health products; Ethicon Endo-Surgery’s minimally invasive surgical products and advanced sterilization products; Diabetes Care’s blood glucose monitoring and insulin delivery products; Ortho-Clinical Diagnostics’ professional diagnostic products and Vision Care’s disposable contact lenses.

## Operational Structure

The Company’s structure is based upon the principle of decentralized management. The Executive Committee of Johnson & Johnson is the principal management group responsible for the strategic operations and allocation of the resources of the Company. This Committee oversees and coordinates the activities of the Consumer, Pharmaceutical, and Medical Devices and Diagnostics business segments.

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

ORGANIZATIONAL SCALE	
Number of Employees	117,900
Number of Operations	250
Net Sales	\$65.0 billion



## Significant Changes During the Reporting Period

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Changes during the reporting period were a result of previously announced restructuring activity as well as acquisitions and divestitures. A gain of \$1.0 billion from the divestiture of businesses during 2011 including the Animal Health Business, assets of the Ortho Dermatologics division in the U.S., and the Surgical Instruments Business of Codman & Surtleff, Inc. is recorded in other (income) expense in 2011.

The 2011 acquisitions included: Crucell N.V., a global biopharmaceutical company focused on the research & development, production and marketing of vaccines and antibodies against infectious disease worldwide; the over-the-counter (OTC) brands of J.B. Chemicals & Pharmaceuticals Limited, including RINZA<sup>®</sup>, Russia's leading multi-symptom cough and cold brand, and DOKTOR MOM<sup>®</sup>, Russia's number-two selling cough brand, as well as several other brands; full ownership of the Johnson & Johnson-Merck Consumer Pharmaceuticals Co. joint venture in the U.S. from Merck Sharp & Dohme Corp.; and SterilMed, Inc., a leader in the reprocessing and re-manufacturing of medical devices in the U.S.

During the fiscal second quarter of 2011, the Company entered into a definitive agreement to acquire Synthes, Inc. for approximately \$21.3 billion, approximately \$19.3 billion net of cash acquired, subject to the terms of the merger agreement and currency values at the time of closing. Synthes, Inc. is a premier global developer and manufacturer of orthopaedics devices. On December 15, 2011, a special meeting of stockholders was held at the Synthes' offices and the Synthes shareholders approved the proposal to adopt the agreement and plan of merger. The acquisition closed on June 14, 2012.

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).



**EXCELLENCE IN NURSING:** Luong Thi Xim, Nghiem Thi Hoang Yen and Nguyen Thuy Linh participate in the Nursing Leadership and Management program for chief nurses in Vietnam. Since 2009, Johnson & Johnson has been supporting this effort by the Vietnam Nurses Association and Vietnam's Ministry of Health to improve the quality of care in Vietnamese hospitals.

# Governance and External Commitments

For more than 125 years, the Johnson & Johnson Family of Companies has been privileged to play a role in helping millions of people around the world live better, healthier lives. Our Family of Companies is connected by [Our Credo](#), which sets forth our core values and business philosophy. It is the moral compass that guides our responsibilities as a citizen of the world.

Our Credo has been the moral compass for our business since 1943. It guides the decisions we make, the emphasis we place on our stakeholders, and the way we conduct business.

We understand that core values or a business philosophy cannot be mandated. But through the formal policies and practices a company adopts to govern its business conduct, its values and principles can be upheld. The principles in Our Credo reflect the character, ethics and values that define Johnson & Johnson and lay the foundation for the expectations we have for our directors, management and employees in operating a responsible company.

In addition to governance principles, Johnson & Johnson ensures compliance through numerous policies and guidelines and standards, such as our [Policy on Business Conduct](#), which all of our operating companies are expected to follow.

We recognize the relationship between good governance and sound financial performance. The economic value generated through a well-managed and governed enterprise not only benefits stock owners, it also benefits local communities through small business development and through the contributions made to the social infrastructure needed to sustain community health.

## Governance Structure

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Our Board of Directors is a diverse group of individuals who are elected by our shareholders each year. We currently have 13 Board members, 11 of whom are “independent” under the rules of the New York Stock Exchange. William C. Weldon is Chairman of the Board of Directors and Alex Gorsky is Chief Executive Officer of Johnson & Johnson. Our independent directors determined that for effective Board governance, it was appropriate to have an independent Presiding Director. Because Mr. Weldon will not be an independent Chairman, our Board will continue to have a Presiding Director, and has designated James G. Cullen to serve as Presiding Director for 2012.

Our Board holds the ultimate authority of our Company, except to the extent that our shareholders are granted certain powers under the Company's Certificate of Incorporation and By-Laws. Qualifications for the Board of Directors and standards of independence are laid out in our Principles of Corporate Governance ([www.investor.jnj.com/governance/corporate-governance.cfm](http://www.investor.jnj.com/governance/corporate-governance.cfm)) and additional guidelines are outlined in our Code of Business Conduct & Ethics for Members of the Board of Directors and Executive Officers.

We believe good corporate governance results from sound processes that ensure our directors are well supported by accurate and timely information, sufficient time, resources and unrestricted access to management. Additionally, we believe the business judgment of the Board must be exercised independently and in the long-term interests of the Company.

The Board of Directors:

- Appoints senior management of the Company, who are responsible for conducting business and operations;
- Provides oversight of management and offers strategic direction to the Company; and
- Forms standing Board Committees to assist in fulfilling its obligations.

The Board of Directors has six standing committees: the Audit Committee; the Compensation & Benefits Committee; the Nominating & Corporate Governance Committee; the Finance Committee; the Regulatory, Compliance & Government Affairs Committee; and the Science & Technology Committee.

The Science & Technology Committee, composed of non-employee (independent) directors, is the primary committee responsible for policies, programs and practices on environment, health, safety and sustainability. Responsibilities of the newly formed Regulatory, Compliance & Government Affairs Committee, also composed of independent directors, include implementation and effectiveness of the Company's health care compliance & ethics and quality & compliance programs; oversight of the Company's Policy on Business Conduct and Code of Business Conduct & Ethics for Members of the Board of Directors and Executive Officers; and review of the Company's governmental affairs policies and priorities and other public policy issues facing the Company including the policies, practices and priorities for the Company's political expenditure and lobbying activities.

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These committees advise and, as appropriate, make recommendations to the Board on issues for which they are responsible.

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

## Communication with Our Board

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Shareholders, employees and others may contact the Board of Directors of Johnson & Johnson, including our Presiding Director, by writing to them c/o Johnson & Johnson, One Johnson & Johnson Plaza, Room WH-2132, New Brunswick, NJ 08933 USA. Those who wish to contact the Board or any member of the Audit Committee to report any complaint or concern with respect to accounting, internal accounting controls or auditing matters may do so anonymously by using the address provided. Forms to contact the Board and the Audit Committee are also available online at [www.investor.jnj.com/governance/communication.cfm](http://www.investor.jnj.com/governance/communication.cfm).

The independent members of the Board of Directors have approved procedures for handling shareholder and other communication with the Board, including designating the General Counsel and the Corporate Secretary as their agents for receipt of communications. These procedures are presented online at [www.investor.jnj.com/governance/communication.cfm](http://www.investor.jnj.com/governance/communication.cfm).

Johnson & Johnson holds its annual meeting of shareholders each year in April. A notice of annual meeting and proxy statement are mailed or delivered electronically to shareholders in March. The Company's most recent Proxy Statement and the Annual Report are available on the Company's website at [www.investor.jnj.com/annual-reports.cfm](http://www.investor.jnj.com/annual-reports.cfm).

Advance notice is required of shareholder proposals and other items of business. Under the terms of the Company's By-Laws, a shareholder who intends to present an item of business (other than a proposal submitted for inclusion in the Company's proxy materials) must provide written notice of such business to the Company. This advance notice and associated deadlines are outlined in the Company's Proxy statement available online at [www.investor.jnj.com/annual-reports.cfm](http://www.investor.jnj.com/annual-reports.cfm).

Topics related to economic, environmental and social performance raised through the 2011 reporting period include shareholder proposals on independent Board Chairman, binding vote on political contributions, and adopting non-animal methods for training. These proposals are outlined, and management's statements in opposition are presented, in the Company's Notice of Annual Meeting and Proxy Statement of March 14, 2012, available online at [www.investor.jnj.com/annual-reports.cfm](http://www.investor.jnj.com/annual-reports.cfm).

## Codes and Principles

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*Principles of Corporate Governance*, adopted in 2006, applies to Directors 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 the Company.

To help ensure that we conduct business according to the values embodied in Our Credo, we have policies that define what we expect of the people within the Johnson & Johnson Family of Companies throughout the world.

### Business Conduct Codes

Employees are required to follow the laws and regulations of the countries where they do business. Our policies give clear direction on how to act according to our business values, as well as the laws and regulations where our companies operate around the world. Our policies include:

- [Our Credo](#)
- [Policy on Business Conduct](#)
- [Code of Business Conduct and Ethics for Members of the Board of Directors and Executive Officers](#)
- [U.S. Health Care Compliance](#)
- [Privacy and Confidentiality](#)
- [Procurement Code of Conduct](#)

Our 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.

### Sales and Marketing

Our policies for responsible selling, marketing and interacting with health professionals require that our employees act according to the laws of the countries where we do business, comply with applicable industry codes of behavior and any additional requirements of our enterprise or relevant business units. These policies include:

- [Responsible Interaction with Health Care Professionals](#)
- [PhRMA Code on Interactions with Health Care Providers](#)
- [Promoting Regulated Products Lawfully](#)
- [Product Advertising and Communications](#)
- [MD&D Guidelines for Direct-to-Patient Education](#)
- [PhRMA Guiding Principles Direct-to-Consumer Advertisements About Prescription Medicines](#)

## Labor and Employment

We recognize that people and values are our greatest assets. Our Credo guides our responsibility to our employees. Our policies include:

- [Equal Employment Opportunity Policy](#)
- [Global Labor & Employment Guidelines](#)
- [Policy on Employment of Young Persons](#)
- [Guide for Resolving Employee Disagreements](#)
- [Harassment Policy](#)
- [Statement on Human Rights](#)

## Environment

We have a responsibility to take care of our planet and preserve its beauty, resources and strength for future generations. We strive for performance that does not merely comply with regulations but reduces our environmental impacts. Our environmental policies include:

- [Environment, Health & Safety Policy](#)
- [Climate-Friendly Energy Policy](#)
- [Forest Products Purchasing Guidelines](#)

These conduct codes can be found on our Responsibility website at [www.jnj.com/responsibility/ESG/Governance/Codes\\_of\\_Conduct/Accountable\\_Business\\_Practices](http://www.jnj.com/responsibility/ESG/Governance/Codes_of_Conduct/Accountable_Business_Practices).

## External Commitments

Johnson & Johnson recognizes and subscribes to externally developed economic, environmental, and social charters and initiatives. **GRI 4.12**

Johnson & Johnson continues working to help shape responsible climate and energy policy. We are one of approximately 950 companies to sign the Copenhagen Communiqué, calling on world leaders to sign a climate agreement.

We have developed a corporate greenhouse gas inventory methodology. This document is based on the compliance of Johnson & Johnson with the World Resources Institute (WRI) and the World Business Council for Sustainable Development™ (WBCSD) GHG Protocol Initiative. Within the GHG inventory methodology, we utilize calculation tools available from [www.ghgprotocol.org](http://www.ghgprotocol.org) and from the EPA Climate Leaders Program available at [www.epa.gov/stateply/index.html](http://www.epa.gov/stateply/index.html).

Johnson & Johnson is a member of the Carbon Disclosure Project's Supply Chain Partnership and has requested a select group of suppliers to participate in the Supply Chain Questionnaire with hopes that those suppliers will look to assess the risks and opportunities of climate change to their businesses. The target group of suppliers consists of External Manufacturers for the Johnson & Johnson Family of Companies.

While Johnson & Johnson is not a signatory to the UN Global Compact, we do address each of the 10 principles it lays out in the areas of human rights, labor environment and anticorruption, via Our Credo, and our supporting policies, principles and guidelines. The UN Global Compact states that businesses should support and respect the protection of internationally proclaimed human rights and should make sure that they are not complicit in human rights abuses. It states that businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; and that they should eliminate all forms of forced and compulsory labor, child labor, and discrimination. Regarding the environment, the Compact calls for the support of a precautionary approach to environmental challenges, and for businesses to undertake initiatives to promote greater environmental responsibility and development and diffusion of environmentally friendly technologies. Lastly, the Compact says that businesses should work against corruption in all its forms, including extortion and bribery. **GRI 4.11**

Details of Johnson & Johnson's position on and approach to each of these principles are presented in the appropriate sections of this report and on [www.jnj.com/responsibility](http://www.jnj.com/responsibility).

# Management Approach to Sustainability

Johnson & Johnson's sustainable practices are based on a strategic framework of policies, objectives, metrics and reporting that ensure we are continuously striving to be better corporate citizens. Our ongoing commitment to sustainability and responsibility includes programs and accomplishments cited in this report and is based on a previously completed sustainability materiality assessment; seven priority strategy areas that serve as the framework of our *Healthy Future 2015* goals; and the Global Reporting Initiative's (GRI) Sustainability Reporting Guidelines (G3.0).

Our sustainability efforts are defined within four strategic pillars: Advancing Human Health and Well-Being; Safeguarding the Planet; Keeping Our Business Strong, and Conducting Business Responsibly.

We are focused on delivering sustainable growth built on meaningful innovations for patients and customers across the globe. We remain deeply committed to keeping Our Credo as the core of what drives our activities as it reflects our values, beliefs and aspirations and defines our core responsibilities.

Responsibility for activities we consider in determining our social, economic, and environmental health and safety performance is spread among several corporate and global functions, including Global Procurement, Global Finance, Quality & Compliance Worldwide, Global Talent Management, Benefits and Health Resources, Worldwide Compensation, Health Care Compliance & Privacy, Public Affairs & Corporate Communications, Corporate Contributions, Government Affairs & Policy, Global Diversity & Inclusion, Worldwide Supply Chain, Worldwide Environmental Health and Safety, and 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.

At the operational level, responsibility for performance rests with the individual business units. Each of our three business sectors has business-specific sustainability strategies and goals. In addition, a representative from each of these business units also sits on the Johnson & Johnson Sustainability Working Group, which helps to ensure alignment of sustainability initiatives throughout the Company and is an important conduit for how we share sustainability information with interested stakeholders. Sustainability performance against goals and targets is regularly reported to Senior Management.

In 2011, our Consumer Products business unit launched a three-part educational sustainability video series for employees; created a new sustainability portal, Healthy Future, to communicate sustainability goals, plans, policies and tools; and created an online sustainability community, Healthy Future & Me, to engage employees in volunteerism, recycling and idea sharing. Also, we launched NEUTROGENA® Naturals, our first full beauty product line that merges the clinically proven expertise of NEUTROGENA® with the best of what nature has to offer, and created a sustainability retail program called "45 days" to encourage consumers in Latin America to help us support charities in their region.

Our Medical Devices and Diagnostics segment has a cross-functional sustainability council and has established a comprehensive sustainability strategy in alignment with *Healthy Future 2015*. The strategy focuses on Product Stewardship, Supply Chain Sustainability, Employee Health, Safety & Engagement, and Transparent External Engagement & Collaboration to ensure that our employees are engaged in developing and delivering sustainable products and services of value to our customers globally.

Our Pharmaceuticals business unit has three main strategic areas of sustainability focus: improving global health through more affordable access to our medicines and by expanding research and development for medicines for neglected tropical diseases; reducing the environmental impacts of pharmaceutical product development, manufacture, use and end-of-life management; and securing a more transparent, responsible, efficient and innovative supply chain. These efforts are guided by the cross-functional sector sustainability council, and the strategies are supported by employee engagement programs, like Janssen's personal sustainability program (PSP), and through active stakeholder engagement and collaboration.

Our *Healthy Future 2015* goals are our broadest goals to date, spanning all business sectors, and were designed to ensure that the strategic priorities and goals we establish are the right ones for our businesses to achieve the greatest impact. *Healthy Future 2015* presents our five-year goals for corporate citizenship and sustainability commitments across seven key strategic priorities.

- **Advancing global health through research and development for neglected diseases and affordable access to medicines** by working to identify new ways to address these issues and by partnering with like-minded organizations to help expand our impact on global health.
- **Advancing community wellness** by launching health initiatives to help people gain access to timely, easy-to-understand health-related information.
- **Enhancing outcome measurement in philanthropy** by working with our philanthropic partners to improve program measurements.
- **Fostering the most engaged, health-conscious and**

**safe employees** in the world by improving upon our global culture of health and safety in our workplace and by striving to make Johnson & Johnson a place where our employees are proud and excited to work.

- **Building on our legacy in safeguarding the planet** by reducing the environmental impacts of our operations and our products.
- **Partnering with suppliers that embrace sustainability** and demonstrate a similar commitment through their practices and goal-setting and the positive impacts they seek to achieve.
- **Committing to enhanced transparency and accessing the power of external collaboration** by collaborating with partners and providing transparency on our products and business practices. Details on these goals, as well on our social policies, training, management systems, and key successes and challenges are included in the applicable sections of this report.

## Sustainability Materiality Analysis and Reporting Framework

In 2009–2010, Johnson & Johnson conducted a sustainability materiality assessment to determine the topics to be addressed in our sustainability report and on our website. The following issues were identified as our most material areas relating to sustainability: quality and safety of products; global health; access to and affordability of medicines; bioethics; environment; product eco-design; innovation; health care compliance; business ethics; human rights; external supply chain management; and emerging markets. Each is discussed in more detail in this report. Those issues identified as of medium sustainability materiality are also discussed in this report.

# Our Material Issues

## Quality and Safety of Products

Our people dedicate themselves to providing the most trusted brands and highest-quality products to help others around the world. The quality, safety and efficacy of our companies' products are our top priority.

Over the past few years, our McNeil Consumer Healthcare Division has initiated several product recalls related to its over-the-counter medications. We have acknowledged the reasons behind these recalls publicly and we have taken a series of actions to remedy these problems and ensure that they do not happen again. We have already made significant changes to manufacturing and quality systems, both in McNeil and across the enterprise, and we continue to learn valuable lessons. Our goal and our commitment is to restore McNeil Consumer Healthcare to the levels of quality and compliance that people expect of Johnson & Johnson companies, and ones which we expect of ourselves. When we launched the Johnson & Johnson Supply Chain in 2010, one of the objectives of the new organization was to drive quality and compliance by simplifying complexity and reducing risk.

In its foundational year, our new Quality & Compliance (Q&C) model has developed one Johnson & Johnson Quality System Framework and deployed our Quality Policy, Quality Management Framework and three Q&C standards throughout the Johnson & Johnson Supply Chain: 1) escalation, 2) field action, and 3) management review. Efforts are also under way to standardize and simplify the number of IT systems used across Q&C.

Our responsibility to our customers, consumers and patients regarding quality and safety of our products is fulfilled not just in the products themselves but also in the policies and procedures we adhere to throughout the product life cycle, from concept to end use of products and services.

### Health and Safety Requirements

The health and safety impacts of our products are assessed for improvement throughout their life cycle: from development of the product concept; through research and development; certification; manufacturing and production; marketing and promotion; storage, distribution and supply; use and service; and dispose, reuse and recycling. We estimate that 100 percent of our significant product categories in each business segment are covered by and assessed for compliance with health and

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safety requirements. How these assessments occur differs based on regulatory requirements around the world.

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 and dispose of medicines and health care products wisely, educating doctors and other health care professionals on appropriate use, conducting post-marketing studies and monitoring safety data.

### Ingredient safety

We continually monitor evolving science on the ingredients we use and carefully consider the feedback of consumers and other interested parties, exploring alternative options for new formulations when warranted. Before raw materials are used, our pharmacists, toxicologists, laboratory analysts and other health scientists conduct extensive evaluations in laboratories that Johnson & Johnson maintains for this purpose. We employ sophisticated tools and systems to help identify factors that may affect product quality, efficacy and safety.

On October 31, 2011, we issued a statement in response to a Campaign for Safe Cosmetics report:

Since 2009, the Johnson & Johnson Family of Consumer Companies have taken significant steps to reformulate our extensive product line to provide additional offerings that meet the changing needs of our consumers. These extensive efforts, which require complex testing and significant clinical studies to ensure that new formulations meet our high standards for safety, mildness and gentleness, include:

- We have been phasing out formaldehyde releaser preservatives from our baby products. The preservative technologies we use are safe and approved by authorities in the European Union and in the United States, as well as in China and India, and we have not seen any evidence of allergy in hundreds of millions of real life uses of these products. However, we know that some consumers are concerned about formaldehyde, which is why we offer many products without formaldehyde-releasing preservatives and are phasing out these types of preservatives in our baby products worldwide. We are no longer introducing new baby products that contain these types of preservatives. Over the past few years or so, we already have reduced the number of formulations globally with formaldehyde-releasing preservatives by 33 percent and in the U.S. by over 60 percent.
- We have reformulated approximately 70% of our baby products with new cleansing formulations that keep trace levels of 1,4 dioxane at below reliably detectable levels. We also have established strict standards to ensure that the amount of 1,4 dioxane in any of our remaining products is kept to extremely low levels that are well below the level that the U.S. Food and Drug Administration and regulatory agencies around the world consider to be safe.
- We have introduced new product formulations to meet consumer needs, such as JOHNSON'S® NATURAL®, a line that is 98% natural, and contains no formaldehyde-releasing

preservatives or traces of 1,4 dioxane. JOHNSON'S® NATURAL® is priced considerably below the "boutique" natural baby products and puts an all-natural line within the budget of most consumers.

For more than 100 years, Johnson & Johnson Family of Consumer Companies have been providing parents with safe and effective products for their babies and young children. Our goal is to provide parents and their babies with safe, gentle, mild products that they can trust and use with confidence.

In 2011, we also announced efforts to remove quaternium-15 and other formaldehyde-releasing preservatives from all baby products worldwide within two years, and reduce 1,4 dioxane in all baby products to less than 4 parts per million (ppm). Longer-term, we plan to replace the chemical process, called ethoxylation, that results in 1,4 dioxane contamination. We have removed phthalates from all of baby products worldwide.

### Product and Service Labeling

Products developed and commercialized through our Pharmaceutical and Medical Devices and Diagnostics businesses meet all applicable laws regarding package inserts that contain appropriate information for health care professionals and patients. For over-the-counter pharmaceutical products, packaging and inserts are likewise used to communicate with customers. Our Consumer products include clear, easy-to-read instructions and information on how to use our products appropriately. We list ingredients for all products and include directions for proper disposal where necessary. Sourcing information of components is not required. We are seeking details to support this information and working toward five- and ten-year long-term goals to assure sourcing of components throughout our supply chain.

PR3

### Customer Satisfaction

Customer relationships and customer satisfaction are assessed on an ongoing basis by our business units and business segments. Operating companies employ a variety of mechanisms to measure customer satisfaction, including surveys, website interactions, focus groups and patient advisory groups. These customer satisfaction measures, as collected by our business units, are not shared externally for competitive reasons.

PR5

At an enterprise level, we recognize the need to strengthen customer satisfaction and customer experience, especially when it comes to high-volume commercial customers who do business with multiple business units. We recognize, from customer feedback, that the experience of doing business with Johnson & Johnson for some customers has not been optimal. Our decentralized business structure does not easily address customers' request to deal with "one Johnson & Johnson."

We are committed to making significant changes in this area. In 2010, the company announced the formation of the Johnson & Johnson Supply Chain operating model. This enterprise-wide operating model is designed to drive strategic

coordination across our supply chain organizations. The priorities of this operating model include improving customer service and experience; ensuring reliable product supply; and delivering high-quality products, largely through the reduction of complexity and redundancies in our global supply chain. In 2011, we began to develop regional approaches to customer service and logistics as part of our efforts to improve our customers' experience and, ultimately, satisfaction with Johnson & Johnson.

### Marketing Communication

Products in the Consumer segment are marketed to the general public and sold both to retail outlets and distributors throughout the world. Pharmaceutical segment products are distributed directly to retailers, wholesalers and health care professionals for prescription use. The broad range of products from our Medical Devices and Diagnostics segment are distributed to wholesalers, hospitals, and retailers used principally in the professional fields by physicians, nurses, therapists, hospitals, diagnostics laboratories and clinics. Communications are geared to each of these audiences and use a variety of face-to-face, printed, online, and where appropriate, broadcast and social media.

In our marketing and communications efforts with health care professionals, we follow the voluntary AdvaMed Code of Ethics on Interactions with Health Care Professionals and the PhRMA Code on Interactions with Healthcare Professionals. Johnson & Johnson and our operating companies follow internally established guidelines that apply to all forms of direct-to-consumer communication, including regulation of such communication by our Pharmaceutical and Medical Devices and Diagnostics businesses. In addition, we follow the PhRMA Guiding Principles on Direct-to-Consumer Advertisements About Prescription Medicines. Health Care Compliance officers conduct annual risk assessments of all businesses

**PR6** globally to assess whether systems, policies, procedures, training, resources and monitoring are in place regarding compliance with standards for appropriate promotion of regulated products.

### Privacy

We are strongly committed to protecting the privacy of those who entrust us with their personal information. Our employees, and all those who do business with us, trust and expect that we will protect personal information in accordance with legal requirements and our policies. In addition to our Privacy Policy, multiple Johnson & Johnson companies in the U.S. have certified to the Safe Harbor Principles with the U.S. Department of Commerce with respect to personal data processed as part of our human resources activities.

Privacy complaints are investigated, addressed and monitored by the local operating companies involved with the support of the Privacy organization and complaints are reported to the

**PR8** Vice President Corporate Internal Audit in conformance with the Johnson & Johnson Escalation Procedure. We are putting processes in place to collect privacy incidents and breaches centrally.

### Compliance

In Our Credo responsibility to stockholders, we are called upon to experiment with new ideas, carry on research, develop innovative programs, and be accountable for our mistakes. It is expected that all of our businesses and employees will comply with laws and regulations concerning the provision and use of products and services. When this is not the case, information is reported internally up through the Regulatory, Compliance & Government Affairs Committee of the Board of Directors and is also shared with the external auditors. Many breaches are subject to confidentiality, legal, privacy or other similar restrictions and are therefore not publicly disclosed. However, this information is reported externally in our public filings if it meets the criteria for requiring public disclosure.

When public disclosure criteria are met, product liability claims and lawsuits that cover customer health and safety, labeling, or marketing, as well as corrective actions and resulting fines and penalties, are outlined in our periodic SEC filings. See Note 21 of our 2011 Annual Report.

**PR2, 4,  
7, 9**

## Global Health

Global health is a complex issue about the rights of individuals and the responsibilities of organizations to attain good health, free from the spread of disease; achieve equal access to quality, affordable health care; and benefit from infrastructure and capacity to meet current and future unmet health care needs.

Johnson & Johnson believes in the human right of good health. It is our responsibility to advance good health care through our actions and to work with others to help shape effective health care systems around the world that will serve the needs of people. We recognize that all members of the health care community must collaborate to achieve this goal. We advocate for increased access to health care around the world. We also offer direct support by enhancing access to our HIV/AIDS medicines in developing countries, providing medicines and other products through our product giving and disaster relief programs, conducting research and development on transmissible diseases of the developing world, and helping to enhance health care infrastructure in medically underserved areas.

In 2011, we continued development of new and existing treatments for HIV and TB and enhancing access to these treatments for patients around the world. We expanded the scope of our Janssen Global Access and Partnership Program and licensed generic partners to speed access to rilpivirine, an important new first-line medicine to treat HIV. (See Access and Affordability on page 18.)

We continued our commitment to research and development by investing more than \$7.5 billion. More patents were awarded in 2011 than in any other year in our Company's history. More than 625 new products were launched in 2011 across the enterprise.

We are currently conducting research at various levels of development into novel treatments for infectious diseases including HIV, tuberculosis, hepatitis C, and dengue, as well as researching treatments to address the growing burden of chronic diseases, including asthma and diabetes.

Our Pharmaceuticals group launched four products and a dozen major regional brands and entered a new strategic category, vaccines. The majority of Crucell's vaccine portfolio addresses vaccine preventable diseases aiming to prevent infection by influenza, HIV, malaria, tuberculosis, polio and a number of childhood illnesses, including pertussis.

We advanced our pipeline in all five key therapeutic areas, with an unprecedented and U.S. industry-leading regulatory approval of three New Molecular Entities—ZYTIGA® (abiraterone acetate) in oncology, XARELTO® (rivaroxaban) in cardiovascular disease and EDURANT® (rilpivirine) in HIV—as well as a number of line extensions.

Janssen Pharmaceutical Companies of Johnson & Johnson launched Healthy Minds, a significant new commitment in funding, R&D and education to help reduce stigma and improve public understanding of mental health conditions and to encourage collaboration to accelerate the discovery of new therapeutic solutions for brain disease.

We announced a new collaboration between Johnson & Johnson, the World Health Organization, the Bill & Melinda Gates Foundation, the U.S. and U.K. governments, officials from endemic countries, the World Bank and 12 other pharmaceutical companies for a coordinated effort to combat 10 neglected tropical diseases. As part of the effort, we'll work with other partners on preclinical research and clinical development of flubendazole, an effective treatment for intestinal parasites originally discovered and developed by renowned researcher Dr. Paul Janssen, founder of Johnson & Johnson's Janssen Pharmaceutica.

We became the first company to support the United Nations' Health 4+, the joint action platform that aims to coordinate the UN Secretary General's Global Strategy on Women and Children's Health at the country level. Johnson & Johnson will support pilot training for health care workers in Tanzania and Ethiopia in order to provide critical prenatal and obstetric care for mothers and newborns.

We provided a one-year update of strong progress made on our five-year comprehensive pledge to the United Nations' Millennium Development Goals. Our efforts are focused on maternal and child health initiatives, as well as innovations in treatment for HIV/AIDS and TB. In addition, we:

- Pledged additional support over the next four years to help eliminate transmission of HIV from infected mothers to their infants, as part of a new UN Global Plan.
- Extended our commitment to donate mebendazole for the

treatment of intestinal worms in children in the developing world through Children Without Worms for five additional years. In 2011, we more than doubled our donation from 36 million doses in 2010 to 80 million doses by the end of 2011.

- Began Helping Babies Breathe (HBB), a program to train health workers in safe birth techniques. HBB is expected to save the lives of thousands of babies in Uganda and Malawi, and is being implemented in collaboration with Save the Children, the American Academy of Pediatrics and USAID.

In conjunction with other partners, we launched the Mobile Alliance for Maternal Action, which uses mobile phones to deliver prenatal and post-birth health information to new and expectant mothers in the developing world. Over the next three years, the program will reach mothers in Bangladesh, India and South Africa.

We announced our collaboration with the Mayo Clinic as a leading partner in the Clinton Global Initiative's Global Smoke-Free Worksite Challenge, which aims to expand the number of employees who work in a smoke-free environment. Johnson & Johnson will share what we've practiced and learned as a 100 percent smoke-free work environment since 1997.

We announced our involvement in a partnership led by the U.S. Department of Health & Human Services that's committed to expanding the QuitNowTXT interactive text-based intervention for adult smokers beyond the United States.

We achieved a 6 percent increase over 2010 in employees completing a health risk profile to 38 percent. Targeted efforts around large-capital construction projects resulted in 15 percent greater contractor safety. We also developed a human rights training program that is being deployed in our Procurement organization.

The United Nations awarded Johnson & Johnson the 2011 Humanitarian of the Year Award for our leading role in its Healthy Mother, Healthy Child initiative.

## Access to and Affordability of Medicines

### Access to Medicines

As the world's most broadly based health care company, we have a responsibility to help create a world where people across all economic and social circumstances have access to the treatments they need, and we have a long-standing policy of pricing products responsibly. For the period 2001–2011, in the United States, the weighted average compound annual growth rate of the Company's net price increases for health care products (prescription and over-the-counter drugs, hospital and professional products) was below the U.S. Consumer Price Index.



**MANUFACTURING VACCINES:** Kyung Mi Choi works at the ultramodern Crucell vaccine manufacturing facility, which opened in 2011 in Incheon, South Korea. It is one of the largest such facilities in the world and makes half of all the pentavalent vaccine (a combination of vaccines for diphtheria, tetanus, whooping cough, hepatitis B and haemophilus influenza) used worldwide by UNICEF, the world's largest distributor of childhood vaccines.

We have many programs for those who cannot afford our medicines that are aimed to enhance access to our health care products. Over the past 24 months, Johnson & Johnson Patient Assistance Foundation, Inc. provided more than 1.7 million units of medicine to more than 300,000 patients. Our programs provide people with access to medicines that a health care provider administers, as well as prescription medicines they can take themselves.

We are working to help millions of Americans with little or no health care insurance get access to the medicines they need. Our access2wellness™ program makes it easier for patients to find the help they need. For those who qualify, access2wellness™ can be a single point of entry into a broad selection of programs that offer more than 1,000 prescription medicines, medical products, and links to savings on our consumer products from the Johnson & Johnson Family of Companies.

Johnson & Johnson is a member of the Partnership for Prescription Assistance (PPA), a broad private-sector effort funded by the pharmaceutical industry. Our company is also one of the founding members of Together Rx Access™, a prescription drug savings program for Americans and their families who have no prescription drug coverage and are not eligible for Medicare. Since 2005, more than 2.5 million Americans, including approximately 400,000 children, have enrolled in Together Rx Access™.

We are deeply committed to providing access to our medicines and making our medicines affordable to those in need. For example:

**New treatments for HIV:** In 2011, regulatory approval was granted by the U.S. Food and Drug Administration (FDA) for a new HIV treatment, EDURANT® (rilpivirine)—our third novel antiretroviral agent within the last five years. COMPLERA®, a new once-daily, fixed dose combination treatment for HIV containing rilpivirine + TRUVADA®, developed in collaboration with Gilead Sciences, also received regulatory approval in 2011. The agreement included an addendum addressing each company's responsibility for ensuring the availability of the medicine in developing countries. Licensing agreements were signed with generic manufacturers in India and sub-Saharan Africa prior to the regulatory approval of rilpivirine to speed the availability of generic versions in resource-limited countries.

We have signed two additional licensing agreements with Gilead to develop new fixed-dose combinations containing PREZISTA® (darunavir) and Gilead's cobicistat, an investigational boosting agent, and PREZISTA® with Gilead's Emtriva® (emtricitabine), the investigational agent GS 7340, a prodrug of tenofovir, and cobicistat.

We're making 200 million doses of our treatment for intestinal worms—a disease that can cause diarrhea, weakness, and impaired learning capacity and physical growth—available each

year to infected children in more than 30 countries.

Three of our medicines have Orphan Drug status:

- REMICADE® (infliximab). Orphan disease status in 6 indications, including juvenile rheumatoid arthritis, giant cell arteritis, chronic sarcoidosis, pediatric Crohn's Disease, pediatric ulcerative colitis and Crohn's disease;
- SIMPONI® (golimumab). Designated orphan disease status in chronic sarcoidosis indication; and
- STELARA® (ustekinumab). Designated orphan disease status in type 1 diabetes mellitus patients with residual beta-cell function (study under CV/M TA). Additionally, STELARA® for Primary Biliary Cirrhosis started clinical trial in late 2011, and we intend to apply for orphan designation.

### Pricing Strategies & Programs

Johnson & Johnson engages in strategic and innovative equitable and pricing strategies for a wide variety of diseases. For example, the Global Access & Partnerships Program (GAPP) continues to expand and provide sustainable and affordable access to our HIV medicines through "special effort" access (not-for-profit) pricing in sub-Saharan Africa and Least Developed Countries outside of Africa. In 2011, the list of countries that benefit from the special effort access pricing for rilpivirine was expanded to 112 countries, which together are home to more than 80 percent of people living with HIV in low- and middle-income countries.

Our newest innovation in differentiated pricing is part of the Access & Affordability platform and Tiered Pricing Framework. The Framework establishes tiered pricing policies based on a combination of a country's economic conditions and public health situation. The methodology has been developed in collaboration with experts in the field and through our support of a research study with the United Nations University Maastricht Economic and Social Research Institute on Innovation and Technology (UNU-MERIT) and the Maastricht Graduate School of Governance (MGSog).

Within the Medical Devices and Diagnostics (MD&D) segment, we have traditionally focused almost exclusively on the premium or in the S1 segment in emerging markets—those patients who live in urban centers, who have access to quality care. Moving forward, our MD&D segment is expanding its coverage of the S1 markets in Brazil, Russia, India and China, as well as other promising markets like Indonesia, Mexico and Turkey to ensure we fully reach more patients with our innovations and professional education. At the same time, we are expanding our product offerings to meet the unique needs of the S2 segment of the market, comprised of hundreds of millions of people who are now gaining some degree of health care coverage. We already have a number of these products on the market, including surgical staplers, sutures, a blood glucose meter and an artificial knee. But there is much, much more to be done as we seek to bring the promise of good health to as many people as possible.

Below are several other financial-based pricing programs by Johnson & Johnson companies:

- **Crucell Partnerships and Pricing:** Crucell is a leading supplier of innovative vaccines to countries supported by the Global Alliance for Vaccines and Immunization (GAVI) and uses differentiated pricing strategies in countries and in some Index Countries, through private-sector channels.
- **Pentavalent vaccine supplied to UNICEF:** Crucell is a supplier to UNICEF of QUINVAXEM<sup>®</sup>, a substitute for another WHO-disqualified pentavalent vaccine, a combination of five vaccines in one: diphtheria, tetanus, whooping cough, hepatitis B and haemophilus influenza type b (the bacteria that causes meningitis, pneumonia and otitis). QUINVAXEM<sup>®</sup> was made available to UNICEF at a special-offer price.
- **MicMat special-offer price and donation programs:** We continue to make a slow-release form of the antifungal miconazole, micMAT (miconazole nitrate 10 mg, muco-adhesive-buccal tablet), indicated for the treatment of oral candidiasis (or “thrush”), available to meet the unique needs of people living with HIV/AIDS in the developing world through not-for-profit pricing and donation programs.
- **RemiStart<sup>®</sup>** is a patient assistance program offering first-year and extended access support for patients being treated with REMICADE<sup>®</sup>. To date, 51,879 patients have been enrolled in this program, and 20,984 patients have been enrolled in the RemiStart<sup>®</sup> Extended Access program.
- **STELARA<sup>®</sup> Support Instant Savings Program** is a program designed to offer savings options for patients, answer patients' questions about coverage or reimbursement, and provide counseling regarding eligibility for the savings program. As part of the program, 33,583 patients have redeemed savings.
- **ZytigaOne<sup>™</sup> Instant Savings Program** provides assistance with private insurance co-pay, deductible and co-insurance medication costs for ZYTIGA<sup>®</sup> (abiraterone acetate). Savings have been redeemed by 2,354 patients.
- **Performance-Based pricing:** A program is in development to refund the U.K. National Health System (NHS) for multiple myeloma patients who fail to respond after four cycles of bortezomib (VELCADE<sup>®</sup>). Given expected response rates, the company would expect to rebate at least 15 percent of the total cost of VELCADE<sup>®</sup> used in the NHS in England and Wales under this scheme.

## Goals and Progress

We've made good progress toward meeting *Our Healthy Future 2015* sustainability goals related to access and affordability for medicines.

- We are providing affordable access to HIV and tuberculosis treatments in least-developed and middle-income countries through GAPP and special-effort pricing.
- Our new Access & Affordability Platform and tiered pricing framework are innovative models that improve affordability of our medicines in middle-income countries.
- We continue to expand donation of our treatment for intestinal worms in countries of prevalence.

**Target:** Ninety least-developed and middle-income countries have our HIV therapies registered and available at special-effort pricing.

**Actual:** There are currently 38 countries approved and 4 additional countries pending approval, representing substantial progress toward our five-year target. Registration of compounds is determined by the timing of approval of the compounds in the U.S. and/or EMEA as well as the expected medical need in the specific country, which is influenced by the clinical label of the compounds. For example, two of our medicines are approved for highly treatment experienced patients. Filing for registration of these medicines in countries without mature treatment programs would not address an unmet medical need. On the contrary, it would put an additional burden on the already limited local resources. We are committed to ensuring broad access to our HIV therapies for those who need them and continually work to advance registration and special-effort pricing where there is need and the possibility for safe, appropriate use.

**Target:** Achieve WHO prequalification for all our products that address diseases of the developing world.

**Actual:** Currently all of our HIV antiretroviral medicines are in WHO prequalification process. We are prepared to seek prequalification for all our products, pending interest from WHO.

**Target:** Provide 200 million doses of mebendazole, our treatment for intestinal worms, to infected children in more than 30 countries by 2015.

**Actual:** We have provided some 115 million doses to affected children in 13 countries. In 2011, we more than doubled our donation from 36 million doses in 2010 to 80 million doses by the end of 2011. We anticipate adding three or four countries to reach 130 million doses in 2012.

**Target:** Register a new triple combination therapy for HIV and finalize a generic licensing agreement.

**Actual:** A new triple combination therapy has been registered in the U.S. and EMEA; five generic licensing agreements were signed for our HIV medicine, rilpivirine. In 2011, we entered into agreements with multiple generic manufacturers: Emcure Pharmaceuticals, Hetero Drugs Limited,

Matrix Laboratories Limited (a Mylan Company), Strides Arcolab and Aspen Pharmacare to register, manufacture, market and distribute a 25 mg generic version of rilpivirine in SSA, LDCs and India as a single agent medicine and a fixed-dose combination (FDC) product with 300 mg tenofovir disoproxil fumarate and 300 mg lamivudine. Four of these agreements were signed before any regulatory approval in the U.S. or Europe, allowing generic manufacturers to more quickly develop formulations and seek regulatory approvals of generic rilpivirine.

EDURANT® (rilpivirine) is also combined with Gilead's TRUVADA® (emtricitabine 200mg/tenofovir disoproxil fumarate 300mg) in a once-daily single-tablet regimen, COMPLERA®, that was approved by the U.S. FDA in August 2011. European Marketing Authorization was granted for EVIPLERA® in November 2011.

## Bioethics

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. This work would not have been possible without significant investment in research and development, some of which raises bioethical concerns. These issues are summarized below; additional information can be found on our sustainability website. From the work in our laboratories to our clinical research studies, we are committed to upholding the highest ethical standards across our Family of Companies. Our commitment extends to operating our businesses in accordance with accepted international standards for scientific work. A cross-company bioethics team has been formed to champion [Our Ethical Code for the Conduct of Research and Development](#) and to provide input as required on ethical considerations for strategies, plans and processes. The scope of the bioethics team is highlighted below:

- Fostering a high awareness of bioethical principles and advances across R&D.
- Providing a consistent approach to responding to ethical dilemmas and challenges.
- Ensuring clarity of company policy positions on ethical issues.
- Championing the bioethics code within R&D.
- Maintaining bioethics policies related to human-subjects research.
- Providing input on policy issues.
- Responding to external and internal queries as required.

### Animal Welfare

Johnson & Johnson continually monitors changes to the Animal Welfare Act and international regulatory requirements to ensure that our animal welfare policies are current with the law. All our vivariums are accredited by the Association for Assessment

and Accreditation of Laboratory Animal Care International (AAALAC) or are in the process of getting accredited. If outside testing by contract research organizations is conducted, it is completed in accordance with Johnson & Johnson policies within the regulatory requirements of the country where they are located and/or within an AAALAC-accredited facility. As with previous World Congresses on Alternatives and Animal Use in the Life Sciences, Johnson & Johnson sponsored the 8th World Congress, held in Montreal in August 2011. Johnson & Johnson is also supporting the World Congress of the Society of In Vitro Biology in June 2012, in Seattle, Washington.

All research protocols involving the use of animals are reviewed for approval by the Institutional Animal Care and Use Committee or under license by local or regional governmental agencies. The Consumer Companies of the Johnson & Johnson Family of Companies do not test cosmetic products on animals, except where required by law or government authorities. Johnson & Johnson annually recognizes scientists who advance the 3Rs: Replacement, Reduction and Refinement for the humane care of laboratory animals. As a further commitment to the 3Rs, Johnson & Johnson animal usage relative to R&D investment has decreased by 67 percent since 2000. Additionally, Johnson & Johnson awards two post-doctoral fellowships annually to scientists who are developing alternatives to animal testing for use internally and globally.

As evidence of the continued interest in animal testing, a shareholder proposal was made at the 2011 shareholders meeting that Johnson & Johnson adopt available non-animal methods whenever possible and incorporate them throughout the Company's operations. The resolution alleges that Johnson & Johnson's Ethicon Institute for Surgical Education in India and Ethicon Endo-Surgery in the U.S. use healthy pigs for training medical professionals in the use of laparoscopic surgical equipment, even though our Company uses simulators for this purpose at other facilities. It also states that Johnson & Johnson uses live animals to train sales representatives, alleging that in one instance in 2009 at Ethicon Endo-Surgery, a marketing intern who was not a regular employee was allowed to perform surgical procedures on a live pig in a sales training program. The shareholders voted against this proposal.

The Company and its businesses take seriously their responsibility for the humane treatment of the animals used in research, development and training. To support those responsibilities, the Company has well-developed policies that guide the ethical practices of all its businesses in the care and use of animals. Included in these policies is the principle that alternatives to animals should be used whenever possible. And while our businesses are to follow this principle, above all they must adhere to the primary principle of Our Credo: that patient safety and well-being must be first and foremost in everything we do. Thus, at times, it becomes necessary for our businesses to use animals for teaching or demonstration purposes. This is especially true for certain products from our medical device businesses, as proper training of the health professionals who will

use them is critical to patient safety and the currently available non-animal methods for training do not meet the necessarily high standards to ensure safe and proper use of these products.

Our *Commitment to Ethical Animal Care and Use* is a statement of the principles supporting our commitment to the conservation and humane treatment of animals used for teaching and demonstration purposes, whether within Johnson & Johnson facilities or at outside institutions under the direction of Johnson & Johnson personnel. The Board believes that the Company's existing policies address the proponent's concerns and that this proposal is not in the best interests of the Company or its shareholders.

### 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. We seek to operate our businesses in alignment with societal norms and in accordance with accepted international standards for scientific work. We have research policies that address the specific issues of animal welfare, stem cell research and genetic research. Our Ethical Code for Conduct of Research and Development is also available online.

### Nanotechnology

Nano particles (particles under 100 nanometers in size) offer the potential to develop improved medicines, medical devices and personal care products such as sunscreens. We continue to participate in nanotechnology scientific forums and monitor regulatory developments, such as anticipated guidelines being developed in Europe and the United States. We also research the environmental impact of nano-sized particles, investigate product safety and develop advanced protective methods for working with nano-sized materials. For example, we are participating in a scientific review committee looking at the use of nano particles in zinc oxide, and our Medical Devices and Diagnostics businesses continue to look at the medical uses for nanotechnology and to 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).

Our Guideline for the Responsible Use of Nanotechnology sets standards for responsible behaviors across the Corporation and provides a general framework to influence the wider global community in developing nanotechnology in a responsible manner.

### 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 crops, such as raw materials derived from soy and corn products. The Global Ingredient Issues Team and relevant senior business leaders review ingredients that are not common GMO-derived materials before they are considered for use in consumer products.

### Clinical Trials

Clinical trials are conducted to evaluate the efficacy and safety of medicines and medical devices, and are essential steps in developing effective new medicines and treatments. Johnson & Johnson companies sponsor and support clinical trials in more than 40 countries, allowing for wide diversity among people who participate in this important research.

Our Ethical Code for the Conduct of Research and Development provides standards of conduct and behavior for physicians, clinical research scientists and others who are responsible for medical aspects of research and development. Additionally, our operating companies are required to follow the Declaration of Helsinki and the Belmont Report, which set clear guidelines for the ethical treatment of patients across all borders. Our products regulated as pharmaceuticals or devices must adhere to all relevant statutes as well as our policies for registering and reporting clinical studies. Additional information on clinical trials can be found on our website at [www.jnj.com/responsibility/ESG/Social/Product\\_Development/Clinical\\_Trials](http://www.jnj.com/responsibility/ESG/Social/Product_Development/Clinical_Trials).

### Xenotransplantation

Xenotransplantation is a transplant between species. Johnson & Johnson is committed to ethical animal care and upholds the 3Rs principles of animal use (reduction, refinement and replacement). Animals will only be utilized when no equivalent in-vitro alternative is available. All laboratory research animals shall be treated humanely and according to all relevant national and local regulations. The numerous xenotransplantation methods collectively exhibit potential for treating a variety of human diseases. As the understanding of the science around xenotransplantation continues to evolve, Johnson & Johnson will remain up to date with the state of the art and comply with all local regulatory guidelines.

## Innovation

Since its inception, Johnson & Johnson has been innovating and developing products to meet the needs of some of the world's most critical health problems. In 2011 alone, we invested \$7.5 billion to advance robust pipelines across all three business segments, including making Johnson & Johnson the U.S. leader in new molecular approvals. Targeting significant unmet needs, improving current standards of care, and increasing access to treatments are strategic priorities for us.

Seen in this light, innovation is more than simply what we make, it permeates all aspects for our work, especially how

we do things. Our approach to innovation uses a variety of efforts including R&D collaborations with external business partners in cancer, mental health disorders, diabetes, heart disease, stroke, rheumatoid arthritis, hepatitis C virus and HIV—all among the most significant diseases; standing agreements with a number of facilitators of open innovation; acquisitions such as Cougar Technologies Inc., which helped us to quickly bring ZYTIGA® (abiraterone acetate) to market to meet needs in prostate cancer; technology licensing such as natural plant derived skincare ingredients, drug delivery technologies, chemosensory ingredients, and wound dressing components; corporate ventures; spinoffs and startups; and open sourcing programs.

### **Our Corporate Office of Science and Technology**

(COSAT) brings together a team of scientists and clinicians that identify and nurture promising technologies and products for the Johnson & Johnson Family of Companies. For more than three decades, academic and business partnerships initiated through COSAT have made important contributions to health care globally.

### **Johnson & Johnson Development Corporation**

(JJDC) invests in early stage health care companies for the Johnson & Johnson Family of Companies. JJDC's focus areas include medical devices, diagnostics, pharmaceuticals, biotechnology, consumer products, and wellness and prevention.

**RedScript Ventures™ LLC** is a strategic and collaborative resource intended to help accelerate the development of new businesses. RedScript provides select companies that have emergent health care solutions of strategic interest to the Johnson & Johnson Family of Companies with access to resources that could be critical to convert promising innovations into early-stage companies and enable early-stage companies to grow into viable businesses. Ventures invited to participate in the program may benefit from critical development milestone creation, business case planning, long-range business strategies, strategic planning processes and talent management. In 2011, we had one internal venture started at RedScript ventures.

**INTELLI-IDEAS™** is a web-based open sourcing program for breakthrough patented (or patent pending) ideas that could make an impact on our Consumer business. Following submission via the web, ideas are screened for suitability for our business objectives. Successful screening leads to evaluation by a team of cross-functional experts. After a positive evaluation, a broader team performs due diligence, which, if successful, leads to recommendation to proceed with licensing or acquisition. Since the INTELLI-IDEAS™ website was launched in August 2009, it has hosted 23,103 visitors from 125+ countries, who submitted 746 patented inventions (42 percent of registrants have submitted an idea). Of these, 190 inventions met our external technology target criteria and progressed to evaluation or diligence by R&D and franchise teams. Fourteen proceeded to prototyping and/or testing in our labs. A technology license is

being negotiated for one invention and an evaluation agreement was signed for another.

In addition to these ventures, our organization routinely looks at process innovations that are initiated to improve a variety of parameters, including cost improvement. For example, the initiation of one Supply Chain in our MD&D business segment allowed us, for the first time, in 2011, to be able to look at the benefit of these process innovations across the business segment. In addition to cost improvement, process innovation is undertaken to continue to improve the various products available to our customers.

More patents were awarded in 2011 than in any other year in our Company's history. More than 625 new products were launched in 2011 across the enterprise. Our Pharmaceuticals group launched four products and a dozen major regional brands and entered a new strategic category, vaccines. We advanced our pipeline in all five key therapeutic areas, with an unprecedented and U.S. industry-leading regulatory approval of three New Molecular Entities—ZYTIGA® (abiraterone acetate) in oncology, XARELTO® (rivaroxaban) in cardiovascular disease and EDURANT® (rilpivirine) in HIV—as well as a number of line extensions.

Innovation is also a part of patient, customer and consumer programs as well as community health initiatives. The emergence of mobile technology now makes it possible to bring critical health information to people in the most remote areas. Johnson & Johnson is the founding sponsor of text4baby, an innovative mobile service for expectant and new mothers made possible through a public-private partnership that includes government, corporations, academic institutions, professional associations and nonprofit groups. In 2011, the reach of the initiative was expanded in the U.S. and the program was launched in Russia. In conjunction with other partners, we launched the Mobile Alliance for Maternal Action, which also uses mobile phones to deliver prenatal and post-birth health information to new and expectant mothers in the developing world. Over the next three years, the program will reach mothers in Bangladesh, India and South Africa.

Innovation is fostered by encouraging creativity and recognizing teams and people who demonstrate innovation in the work that they do. Within Johnson & Johnson, the James E. Burke Awards celebrate the most courageous and most innovative marketing programs developed over each of the Pharmaceutical, Medical Devices and Diagnostics and Consumer business segments. There are several awards used to recognize innovation and excellence in research and development, including the Johnson Medal for Research and Development and Philip B. Hofmann Research Scientist Award. Each of these awards recognizes the legacy of some of the company's most innovative leaders.

The Dr. Paul Janssen Award for Biomedical Research aims to extend the legacy of Dr. Paul Janssen by honoring the work of an active scientist in academia, industry or a scientific institute.

Dr. Paul, as he was known throughout the global scientific community, was an exceptionally gifted and passionate scientist who revolutionized modern medicine and inspired a new generation of researchers. The award was created in his name by Johnson & Johnson in 2004 with the following goals:

- To honor the memory of Dr. Paul, his dedication to excellence and his leadership of young scientists.
- To promote, recognize and reward passion and creativity in biomedical research.
- To underline Johnson & Johnson's commitment to scientific excellence in the advance of health care knowledge while fulfilling its responsibility in the community.

## Health Care Compliance and Ethics

The ethical principles embodied in Our Credo are the lenses through which our employees make thousands of business decisions each day. To help ensure that we conduct business according to these principles, we have an extensive list of policies and procedures that define what we expect of our people and our business partners throughout the world. Our well-established policies and procedures cover all categories of corporate conduct and meet the legal requirements of all locations and constituents where the company conducts business. Policies and procedures are supported by training and communication plans. Compliance is achieved through controls, audits, reviews and certifications ranging from company self-assessments to independent audits.

Policies related to codes of conduct are established at the Corporate Headquarters and communicated/executed at all of the company's global business units. Policies and procedures most often have established preventative controls (policies, reviews and approval requirements) and detective controls (after-the-fact reviews) with the requirement to escalate to the Corporate Headquarters (Escalation Policy) violations that may require investigation, potential disclosure and disciplinary action.

The company has an extensive Credo Hotline system where access (by phone or website) is communicated to employees annually and readily available to all employees, vendors, distributors and customers. The Credo Hotline is anonymous and executed through an independent third party provider. A well-documented process exists to ensure that all Credo Hotline calls are reviewed, investigated (when needed) and responded to.

### Codes of Conduct

Our primary policies and codes of conduct are Our Credo, Policy on Business Conduct and Health Care Business Integrity Guide. They are supported by our Credo Hotline and in-person resources, and failures are addressed with disciplinary actions.

**Our Credo:** defines the ethical values required of all employees and business partners of the company. The annual and biannual anonymous Credo Survey, open to all employees, gauges employee attitudes towards the Company's and their individual obligations to the Credo. Survey results are reviewed at all levels (from individual operating unit departments to the Executive Committee) and action teams are often formed to address opportunities to improve company culture.

**Policy on Business Conduct:** The principles of Our Credo and requirements of the law are embedded in the Policy on Business Conduct. The policy is communicated across the enterprise and training on compliance is made available to all employees. Senior management regularly discusses the policy during leadership meetings on Ethical Business Decision Making. Compliance with communication, training and execution of specific aspects of the policy are assessed by Internal Audit. Each business unit and approximately 400 senior executives are required to certify compliance with the Policy on Business Conduct annually. Exceptions reported during the certification process are independently reviewed, investigated and documented by the Law and Audit departments; the results of the certification are presented to the Regulatory, Compliance & Government Affairs Committee of the Board of Directors.

**Health Care Business Integrity Guide:** Legal requirements of Health Care Compliance and the Foreign Corrupt Practices Act are embodied in the Health Care Business Integrity Guide (HCBIG). The HCBIG is available to all employees on the company's website; training is required and documented for all employees in health care related positions. Adherence is verified through ongoing independent audits and operations testing conducted by the Internal Audit and Health Care Compliance & Privacy as determined by the company's Health Care Compliance Risk Assessment Process. The outcomes of audits are presented during quarterly Regulatory, Compliance & Government Affairs Committee meetings. Where process reviews identify questionable activities, these issues are escalated to the Triage Committee and for-cause investigations commence.

SO2

In 2012, senior management is required to certify compliance with the HCBIG, with the certification results presented to the U.S. Department of Justice as part of the company's commitment to its Deferred Prosecution Agreement.

SO4

**Credo Hotline:** Beyond the controls built into various policies that define the company's code of conduct, all employees, vendors, distributors and customers have the opportunity to anonymously report potential violations of policy or law through the company Credo Hotline, available by telephone or website. Additionally, anyone can report allegations through other methods (phone calls, emails, etc.) within their local business unit or to the Audit, Law, and Security or Human Resource organizations. All Credo Hotline reports are routed by the external vendor to Corporate Internal Audit, which triages the reports to corporate, sector, or operating company personnel on the basis of an established algorithm for follow-up investigation

and action. In addition, a Triage Committee comprised of the Chief Compliance Officer, Internal Audit, the Law Department, Worldwide Security, and Human Resources review the serious allegations to determine the best means to investigate.

**In-Person Resources:** Each substantial operating company has its own health care compliance officer, part of whose job is to help ensure compliance with, and provide guidance on, the company's Policies. In addition, the company's law department also provides direct guidance and training on the company's Policies.

**Disciplinary Actions:** Failure to comply with the company's Policies can and does result in disciplinary action including, but not limited to, warning letters, impact on annual performance and/or compensation, and termination of employment. Compliance with the company's Policies is also embedded within its leadership imperatives for all of its senior leaders.

### Anti-Corruption Training

Bribery of any form, including inappropriate contributions and donations, are part of the key elements of the Health Care Business Integrity Guide. The company views anything of value that is provided to health care providers or government officials to potentially entice a purchasing decision, regardless of dollar value, to fit the definition of a bribe.

Johnson & Johnson policies require anti-corruption training for employees who may present a compliance risk to the Company and places a significant emphasis on the training requirement to ensure compliance. Two courses, being combined into one in 2012, are given to meet the requirement: "HCBI for Johnson & Johnson Employees" and "Understanding the U.S. FCPA." This training emphasizes the U.S. and international anti-corruption and anti-bribery laws and describes how to identify health care professionals (HCPs), governmental organizations (GOs), and HCPs who are deemed GOs. The training covers all aspects of the Health Care Business Integrity Guide, including charitable contributions, donations, Third Party Intermediary (e.g. distributors) and cross-border interactions, all of which are deemed as high risk activities.

In 2011, Johnson & Johnson operating companies met the training goal, as tracked by an on-line training application, with an overall annual anti-corruption training completion rate

SO3

of 99 percent, based on a targeted audience of more than 60,000 employees (from a total population of approximately 117,000 employees).

All aspects of anti-corruption and bribery are covered in the audit programs utilized by Internal Audit and the Health Care Compliance and Testing Operations organization as part of the annual audit plan, reviewed and approved by the Regulatory, Compliance & Government Affairs Committee of the Board of Directors. Results of these reviews are summarized and reviewed with the Regulatory, Compliance & Government Affairs Committee.

In addition to our own employees, we also hold many of our critical third party intermediaries, such as distributors, accountable to the company's policies. Due diligence and background checks are regularly conducted on sales intermediaries to help ensure compliance with our policies. As of the end of 2011, approximately 11,000 due diligence checks were conducted on third-party intermediaries, and as a subset of that, 7,000 due diligence checks were conducted on sales intermediaries. As well, the company requires that its sales intermediaries be trained in the requirements of the HCBIG, and that contracts include specific contractual commitments to abide by all applicable anti-corruption laws, comply with our HCBIG policies when interacting with customers on our behalf, and allow for auditing of their activities. Training is also provided to third party intermediaries to help ensure understanding of the Company's policies. Regulatory compliance of suppliers and vendors is monitored and audited by our Regulatory Compliance and Procurement organizations. Internal Audit performs annual contract reviews of a number of key vendors to ensure compliance with agreed upon contract provisions and requirements. Any allegations of impropriety raised regarding business dealings with third parties are documented and investigated by Internal Audit, the Law Department or other appropriate organizations within the company.

### Reporting Breaches

Information is reported internally up through the Regulatory, Compliance & Government Affairs Committee and is also shared with the external auditors. Many breaches are subject to confidentiality, legal, privacy or other similar restrictions and are therefore not publicly disclosed. However, this information is reported externally in our public filings if it meets the criteria for requiring public disclosure.

SO7, 8

## Environmental Impacts

### Environmental, Health and Safety Management Approach

As a large multinational organization, Johnson & Johnson operates in a wide variety of ecosystems around the world, some healthier than others. To minimize the impacts of our operations and products, and to help improve conditions when possible, we set global environmental, health and safety standards for our operating companies. Our Worldwide Environment Health and Safety Policy, Climate Friendly Energy Policy, and statements on the Human Right to Water and Respecting Biodiversity guide our activities, and are made actionable and auditable through our detailed EHS Standards and our long-term *Healthy Future 2015* goals.

### Goal Setting

We have been setting environmental goals since 1987. Our *Healthy Future 2015* goals are our fourth set of five-year goals and the most comprehensive yet. They seek to further our progress in reducing our operational and product environmental

impacts, as well as drive our sustainability agenda. Goal progress is tracked by the Johnson & Johnson Sustainability Workgroup and performance is reported to the Executive Committee and Board of Directors.

**Organizational Responsibility**

There is shared accountability for environmental, health and safety performance. Worldwide Environment Health and Safety (WWEHS), headed by the Vice President, Worldwide Environment, Health and Safety, and overseen by the Executive Committee and our Board of Directors, manages enterprise-wide aspects, partnering with Sector and operating company environmental, health and safety professionals. Central to the coordination of these efforts is the Johnson & Johnson Worldwide EHS Leadership Council, composed of Sector EHS leaders.

WWEHS sponsors several integrated internal teams for sustainable marketing, packaging, product stewardship, emerging issues, industrial hygiene, occupational safety and other key topics, enabling a holistic approach to these issues across business units.

**Management System and Standards**

Of our manufacturing and R&D sites, 99 percent continue to maintain third-party certification to the International Standards Organizations (ISO 14001) Environmental Management System, and 30 percent have achieved third-party certification to the Occupational Health and Safety Assessment Series specification (OHSAS 18001). In addition, assessments are conducted against Johnson & Johnson Worldwide Environmental Health and Safety Standards. These standards address over 27 different topics and are designed to ensure that all Johnson & Johnson companies achieve and maintain a consistent and high level of EHS performance. These standards are reviewed and, if necessary, revised on an annual basis.

To identify and mitigate environmental, health and safety risks, we maintain a global system known as The Management Awareness and Action Review System (MAARS). The process includes self-assessment, independent assessment, and corrective action planning and tracking. Every manufacturing and R&D site conducts annual self-assessments, which are supplemented by an independent compliance and management system audit every three years. Performance on these assessments is tracked by Worldwide Environment, Health and Safety, as well as Sector and Operating Company EHS Leadership, and the leaders and EHS professionals at the audited facility. Closure of findings is now also tracked at the corporate and facility levels, as well as at the Sector and Operating Company levels. An incident notification process that alerts management to EHS non-compliances and accidental environmental releases within 72 hours of their occurrence continues to be implemented, tracked and maintained.

**Training**

Johnson & Johnson and its operating companies provide on-the-job environmental, health and safety training, including extensive, globally accessible training and development at the individual, team, organizational and leadership levels. Most of our environmental, health and safety training is provided, tracked and documented by our operating companies; we do not attempt to collect this information at the enterprise level.

**Environmental Compliance**

Our goal is to have zero accidental releases, non-compliances and fines. In 2011, we paid one environmental fine totaling \$5,000.00 related to a violation that occurred in 2010. Our accidental releases remained essentially flat. Of the accidental releases, seven were spills; none were significant (defined in our Worldwide EHS Standards as one that results in significant environmental damage, e.g. fish kill or local community impact). We experienced a significant drop in the number of non-compliances, from 57 in 2010 to 30 in 2011. While a one year drop in this key indicator does not indicate a trend, we are pleased with the decrease.

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ENVIRONMENTAL NON-COMPLIANCES					
	2007	2008	2009	2010	2011
<b>Accidental Releases</b> Number of events	9	15	16	10	9
<b>Environmental Non-compliances</b> Number of individual findings	13	20	50	57	30
<b>Fines Paid</b> U.S. dollars	31,410	164,100	6,630	0	5,000

Most of the non-compliances experienced were related to waste handling or air and/or wastewater permit non-conformances, and all were corrected promptly. To address the issue of continuing non-compliances and releases, we have reinforced our compliance training, put greater emphasis on the importance of comprehensive and ongoing self-assessments as part of the MAARS program, and strengthened oversight of the audit process, including tracking the closure of audit findings at the corporate level.

**Climate Change**

**Climate Policy Initiatives.** Johnson & Johnson has taken an active role in shaping responsible climate and energy policy, both in the United States and around the world. We are members of the Prince of Wales' Corporate Leaders Group on Climate Change, the World Wildlife Fund's Climate Savers Program, the World Resources Institute Next Practice Collaborative, and the Harvard Medical School Center for Human Health and



**EMERGING MARKET PRODUCT EARNS EARTHWARDS® RECOGNITION:** Surgeon Zao Zhongliang worked with the Ethicon Endo-Surgery franchise to develop a surgical stapler to meet the needs of his patients in China's rural Hebei province. The VALUTRUS® Circular Stapler has a reusable handle and generates 80 percent less waste and packaging, providing a more sustainable solution for an underserved population.

the Global Environment, as well as signatories of the Bali, Poznan, Copenhagen, Cancun and 2 Degree Climate Change Communiqués calling on world leaders to sign a climate agreement.

Johnson & Johnson discloses our energy use to the Carbon Disclosure Project (CDP) (see our reports at [www.cdproject.net](http://www.cdproject.net)). While we have been reporting our Scope 1 and Scope 2 emissions for many years, we face a challenge in tracking meaningful Scope 3 data, which is now also being collected through this process. We also participate with the CDP's Supply Chain Program, encouraging our suppliers to measure their energy use and greenhouse gas emissions and report them publicly on our behalf. In 2011, 98 of the 124 suppliers we approached participated in the CDP Supply Chain Program, up from 36 in 2009.

**Energy Use.** Johnson & Johnson has Climate Friendly Energy Policy goals to increase the amount of renewable or clean energy systems at our sites and to increase the energy efficiency of our facilities and sales fleet, and 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 its equivalent. We have continued our 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.

Our energy use has decreased slightly, from 13,361 billion BTUs in 2008 to 12,610 billion BTUs in 2011, despite a sales growth of 2 percent over the same time period. As indicated in the graph below, from 2006–2010 we reported approximately 40 percent of our energy coming from renewable sources.

In developing our *Healthy Future 2015* goals we reached out to numerous stakeholders for input. In working through this exercise we agreed to eliminate the use of voluntary carbon offsets or renewable energy credits (RECs) as one pathway to reduce our carbon emissions. Carbon offsets allow companies to counter their CO<sub>2</sub> emissions by buying credits from projects that reduce the amount of CO<sub>2</sub> or other GHG in the atmosphere (e.g., wind, solar, re-forestation). This mechanism has played an important role in establishing carbon markets and supporting innovative projects that reduce carbon emissions. However, the current voluntary offsets markets lack standardization and regulation and, therefore, it is increasingly disfavored by many NGOs as a means of GHG footprint reduction. Other critics worry that by allowing companies to “buy their way out” of their contributions to climate change, companies may actually emit even more greenhouse gases. In addition, the collective impact of voluntary offsets has been insufficient in achieving the level of reductions needed for meaningful climate change mitigation based on the science. Therefore, our *Healthy Future* goals for GHG emission reductions are based on improving energy efficiency, conservation and utilization of renewable energy.

We will continue to follow The Greenhouse Gas Protocol issued by the World Business Council for Sustainable Development and the World Resources Institute. Our new baseline year is 2010; we recalculated our baseline without voluntary offsets or Renewable Energy Credits (RECs). Voluntary offsets, RECs, and “green” power based on RECs will not be purchased and used as offsets for Scope 1 or Scope 2 emissions. While we will not use voluntary offsets or RECs, we can make use of offsets that are part of a compliance system used to meet national or regional obligations required by law. Also, the direct purchases of electricity from renewable sources and renewable fuels will be considered carbon-free, so long as the carbon offset from those sources are “retired” by the Johnson & Johnson affiliate and not double-counted in any other compliance or voluntary system.

One of our *Healthy Future 2015* goals is to increase our clean energy technology capacity to 50 megawatts (MW). In 2011, we increased our on-site solar power capacity by 50 percent, from 12 MW to 18 MW. To date, we have 38.7MW of onsite clean energy generation installed or under construction, including approximately 18 MW each of solar and cogeneration sources, and smaller biomass and geothermal generation projects. While progress on this goal to date has been good, it should be noted that there is a lag time between concepts to implementation. We currently have a pipeline of project concepts that, when completed, should enable us to meet this goal.

EN 7

EN3, 4

2011 ENERGY CONSUMPTION in Terajoules (TJ)

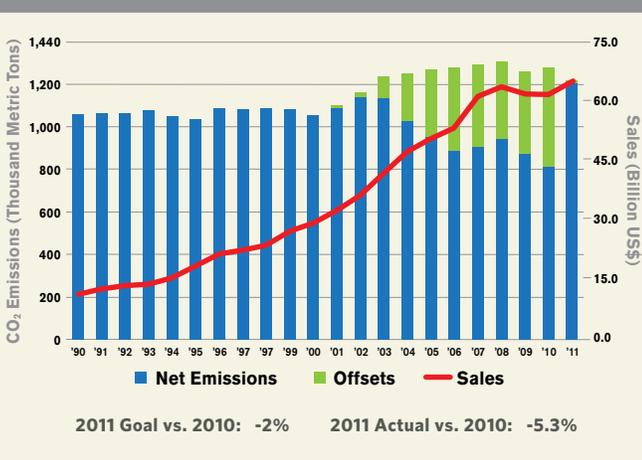
	DIRECT	INDIRECT	TOTAL
2008	6,783	7,313	14,096
2009	6,490	7,037	13,527
2010	6,690	7,098	13,788
2011	6,374*	6,929	13,303

\* From non-renewable sources. (Direct energy consumption: 10,711 MWh, or 39 TJ by renewable primary source; 13,303 TJ by non-renewable primary source)

**Facility CO<sub>2</sub> Emissions.** Our *Healthy Planet 2010* climate change goal was to reduce our baseline 1990 CO<sub>2</sub> emission levels by 7 percent by the end of 2010; we achieved that goal with a 23 percent reduction by year end 2010, as shown in the table on the next page. During that same period, we experienced sales growth of approximately 450 percent. At the end of 2011, we have realized a 4.9 percent reduction in CO<sub>2</sub> emissions, from 1278 metric tons in 2010 to 1216 metric tons in 2011, while realizing a 5.5 percent increase in sales.

EN 16, 17, 18

**CO<sub>2</sub> EMISSIONS 1990-2011 vs SALES**  
Worldwide Results



**CO<sub>2</sub> NET EMISSIONS\***  
in thousand metric tons

	DIRECT	INDIRECT	TOTAL	INDIRECT OFFSETS	NET EMISSIONS
1990	308	751	1059	0	1,059
2006	341	936	1277	395	882
2007	344	946	1291	385	905
2008	357	950	1307	364	943
2009	338	923	1261	386	875
2010	349	934	1283	465	815
2011	330	892	1222	6	1216

\* We collect site specific data from all Johnson & Johnson owned and leased sites over 50,000 square feet.

Our carbon dioxide (CO<sub>2</sub>) reduction capital funding process provides a \$40 million per year budget for energy and greenhouse gas reduction projects across the Company. In the last seven years, 112 energy reduction projects have been approved, and 94 have been completed. These completed projects will collectively reduce CO<sub>2</sub> emissions by 138,195 metric tons per year. In 2011, seven new projects were approved and 14 projects were completed. To date, \$208 million has been spent, realizing over \$39 million (excluding grants and rebates) in annual energy cost savings.

**SPENDING ON CO<sub>2</sub> REDUCTION PROJECTS**  
in millions of dollars

	ACTUAL SPENDING
2005	\$21.4
2006	\$26.4
2007	\$38.3
2008	\$12.0
2009	\$44.0
2010	\$56.4
2011	\$48.2
2012	\$14.7

**CO<sub>2</sub> REDUCTION PROJECTS SINCE 2005**

Energy efficiency	77
Solar PV/Thermal	20
Cogeneration	10
Geothermal/Biomass	4
Wind	1

To date, these projects have resulted in approximately 369,429 megawatt hours (1,330 terajoules) 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.

ENS

We have eliminated chlorofluorocarbons (CFCs) from use in our facilities and will be eliminating the use of hydrochlorofluorocarbons (HCFCs) by the end of 2025, or earlier where required by government regulations. We recognize that hydrochlorofluorocarbon (HCFC) gases, which are currently the most readily available substitute for CFC use, can have implications for global warming, and therefore, in choosing 2025 as our target to complete HCFC phase-out, we are seeking to balance our concerns about ozone protection and climate change. It is our expectation that between now and 2025, cooling and refrigeration equipment that utilize refrigerants that have a lesser effect on climate change and ozone depletion will continue to be developed and commercialized and present viable replacement options for both HCFCs and CFCs.

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

Johnson & Johnson has set a *Healthy Future 2015* goal to realize a 20 percent improvement in fleet emissions efficiency for our global inventory of over 28,000 owned or leased vehicles. Progress against this goal will be measured using calculations based on vehicle manufacturer or government vehicle fuel efficiency ratings, such as the Corporate Average Fuel Economic Standards, published by the U.S. Environmental Protection Agency. There are several solutions in place that will drive the reduction of emissions per distance driven by vehicles:

EN29

- Purchase of hybrid fossil fuel and electric vehicles

- Purchase of alternative and/or renewable fuel vehicles.
- Purchase of highly efficient and/or low emitting vehicles.
- Incorporation of safe, environmentally friendly driving techniques.
- Retiring older, less fuel efficient vehicles.
- Offer a more fuel-efficient pool of vehicles for employees to select from.
- Provide additional driver education, targeting environmentally friendly driving.

At the end of 2011, average global CO<sub>2</sub> emissions per vehicle were 170g/km, measured against a baseline of 177g/km. Our five-year goal is to reduce our CO<sub>2</sub> emissions to 142 g/km. If we assume that we will have a steady rate of annual CO<sub>2</sub> emissions reductions over the five-year goal period, then we are on track to meet this goal. In 2011, our EMEA and Asia Pacific regions exceeded the “calculated annual” target, but our Latin America and North America regions did not. Last year we introduced a “Fleet Goes Green” initiative, which was designed to create a road map for introducing more fuel efficient vehicles over the next five years. Our Corporate Fleet Management group will continue to work with each region to assist in this effort. It should be noted that 99 percent of our orders for vehicles for our fleet are placed through diverse suppliers, supporting our aim of diversifying our supply chain, but limiting the access to fuel efficient vehicles in areas where our preferred approved suppliers do not carry the most efficient vehicle models.

JOHNSON & JOHNSON SALES FLEET EFFICIENCY	
YEAR	GRAMS OF CO <sub>2</sub> PER KILOMETER
2010	177
2011	170

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

The fleet that ships goods for Johnson & Johnson is not owned by the enterprise; we work with asset and non-asset based providers to transport our goods. The Johnson & Johnson Global Transportation Organization manages 100 percent of goods transport for North America and imports/exports into and out of the United States. Outside of the U.S., we have established regional transportation teams to manage our international transportation activities in the EMEA, Asia-Pacific and Latin America regions.

To minimize environmental impacts from goods transport, the company maintains strategic relationships with transportation providers to optimize our network in ways such as using multi-compartment trailers, taking advantage of freight consolidation opportunities, eliminating deadhead miles (deadhead miles are the number of miles that are driven from the point of unloading to the point where the new load is ready for pickup), and engaging in cross-shipper moves with other companies that have similar product lines.

Johnson & Johnson participates in the U.S. Environmental Protection Agency’s SmartWay program, which helps companies voluntarily increase transportation energy efficiency while decreasing greenhouse gas emissions and air pollution. There are 79 over the road Transport Providers in our United States network, and 95 percent of them are currently members of the program. The SmartWay Transport Partnership helps freight companies improve fuel efficiency, increase environmental performance and increase supply chain sustainability. SmartWay membership is part of the decision criteria for awarding business to our transportation providers.

### Air Emissions

While Johnson & Johnson focuses emissions reduction efforts on emissions related to energy consumption and transportation, we also monitor emissions of nitrous oxides (NOX), sulfur oxides (SOX), volatile organic compounds (VOCs), hazardous air pollutants (HAPs), particulate matter (PM) and refrigerants into the atmosphere. Our efforts to reduce emissions of greenhouse gases are discussed above. Our air emissions are well below those of peer companies in our sector.

While we are continuing to enhance our data collection accuracy, and anticipate that our data may be revised over time as this process continues, we are including emissions data in this report for the first time for these pollutants in this report.

EN19, 20

EMISSIONS <i>in tons</i>		
EMISSION TYPE	2010 EMISSIONS	2011 EMISSIONS
NOX*	280	266
SOX*	137	121
HAPs**	55	53
VOCs**	1,010	1,406
PM**	165	135
Refrigerants	10.9	10.6

\* Estimated

\*\* Based primarily on engineering judgment including batch process and mass balance calculations, supplemented where required by direct measurement.

### Green Buildings

Our [Policy on Sustainable Design and Construction](#) requires that sustainability be incorporated into the design and construction of new buildings and major renovations and applies to all new construction and renovations costing at least \$5 million and all new facilities owned or leased by Johnson & Johnson companies worldwide. The policy establishes an enterprise minimum design standard, or Sustainability Baseline, using the Leadership in Energy and Environmental Design (LEED)

SUSTAINABLE WORKPLACE						
AFFILIATE	LOCATION	RATING SYSTEM	TYPE	LEVEL	DATE	BUILDING AREA (SQ. FT.)
Janssen	Titusville, N.J.	LEED	Existing Buildings 2.0	Silver	8/04	472,553
J&J PRD	La Jolla, Calif.	LEED	New Construction 2.0	Certified	4/05	150,000
McNeil	Ft. Washington, Pa.	LEED	Commercial Interiors 2.0	Silver	12/06	50,000
McNeil	Las Pierdras, Puerto Rico	LEED	Existing Buildings 2.0	Certified	9/09	482,642
J&J PRD	Springhouse, Pa.	LEED	New Construction 2.2	Gold	11/09	150,000
Corporate	New Brunswick, N.J.	LEED	Existing Buildings: O&M	Gold	12/09	448,200
Janssen	Geel, Belgium	LEED	New Construction 2.2	Certified	1/11	82,505
J&J Medical, China	Suzhou, China	LEED	New Construction V3	Silver	1/11	52,635
J&J Consumer, China	Shanghai, China	LEED	New Construction V3	Silver	2/11	68,847
J&J Consumer, Philippines	Manilla, Philippines	LEED	New Construction V3	Gold	10/11	74,271
J&J Medical, China	Suzhou, China	LEED	Commercial Interiors 2.0	Gold	10/11	21,528
Lifescan	Inverness, Scotland	LEED	New Construction V3	Gold	10/11	14,500
J&J Sales & Logistics	Mooresville, Ind.	LEED	New Construction V3	Gold	1/12	1,050,000
J&J India	Chennai, India	LEED	New Construction	Gold	3/12	20,600
<b>TOTAL</b>						<b>3,138,281</b>
J&J Building Area						53,242,014
<b>Sustainable Workspace Percentage</b>						<b>5.9%</b>

standard. Outside of the U.S., buildings must meet “equivalent” standards, such as the [Building Research Establishment’s Environmental Assessment Method \(BREEAM\)](#) in the United Kingdom or the European Union’s [Green Building Programme \(GBP\)](#).

As a result, future construction and renovation activities will be done to minimize our impacts on communities and the environment, create comfortable and safe workplaces for employees, and achieve cost savings over the life cycle of the building with minimal added up-front construction costs. Our portfolio of Green Buildings is shown above.

## Water

Water scarcity and quality are important issues in many parts of the world where Johnson & Johnson has operations, such as India, China, and parts of the United States. Johnson & Johnson is using the World Business Council for

Sustainable Development (WBCSD) Global Water Tool to better understand its water footprint and related risks and to aid in its responses to the Carbon Disclosure Project (CDP)’s Water Disclosure. Analyzing its water withdrawals, the Company has determined that in calendar 2011, 12.8 percent of its total water withdrawals occurred in areas under water stress (as defined by the World Resources Institute, areas with less than 1,700m<sup>3</sup>/year).

Our Statement on Human Right to Water recognizes that everyone is entitled to sufficient, safe, acceptable, physically accessible and affordable water, and acknowledges that our actions can impact water quality and quantity. Water is critical to life and, at the same time, essential to ensuring sanitation, securing livelihoods, producing food, and producing health care products. Both people and companies rely on clean, plentiful water, and we understand that we must all work to ensure supplies are adequate and quality is assured. Johnson & Johnson operates according to the principles set out in [Our Statement on Human Right to Water](#) to ensure that

EN9

our businesses respect this right. (See [www.jnj.com/wps/wcm/connect/c89d9d0045b48170b27abb7a6705a77f/statement-on-human-right-to-water.pdf?MOD=AJPERES](http://www.jnj.com/wps/wcm/connect/c89d9d0045b48170b27abb7a6705a77f/statement-on-human-right-to-water.pdf?MOD=AJPERES).)

**Water Usage**

In the period from 2005–2010, we decreased our absolute water use over 9 percent to 11.5 million cubic meters. Our progress was accomplished through a variety of water management efforts at the local level, including increasing use of treated wastewater, improving water delivery systems, increasing water conservation training efforts, conducting rainwater harvesting; and building zero-discharge wastewater treatment facilities. Our *Healthy Future 2015* goal is to achieve a 10 percent absolute reduction in water use across the company, using our 2010 consumption as a baseline.

EN8

At the end of 2011, our water use volume was 11.3 million cubic meters, a reduction of slightly less than 2 percent compared to our 2010 baseline volume. Our water sources are shown below:

Municipal	81 percent
Groundwater	17 percent
Rainwater	1 percent
Gray Water	1 percent
Surface Water	<1 percent
Ocean Water	<1 percent

One way to reduce water use is to use more recycled water in manufacturing. In 2011, we used 0.69 million cubic meters of recycled water, meeting approximately 6 percent of our total water demand.

EN10

Our Environment, Health & Safety (EHS) Standards establish minimum compliance levels for our facilities and contain a standard for water and wastewater management. These standards require: that all wastewaters be treated to safe levels as established by local regulatory bodies; that they meet or exceed every local limit required to protect the local watershed; that facility level inventories of wastewater sources be conducted annually; and that production and research facilities review, at least annually, their wastewater sources to identify opportunities to decrease wastewater generation or contaminants. Our EHS standards also set forth clear responsibilities to address water conservation, drinking water supply management, and storm water management. Johnson & Johnson has participated in the [Carbon Disclosure Project's water disclosure process](#) since its inception; additional information on our water use and risks can be found in our most recent CDP Water submission.

**Water Conservation**

Johnson & Johnson provides our businesses with tools and best practices in water conservation so they can select approaches that will best reduce water use and costs. Each of our facilities assesses ways to reduce water and has developed a water conservation plan. Our Janssen Biologics Ireland facility provides a good example, with a water conservation project involving the harvesting of rainwater on site and the recycling of wastewater.

These projects will result in a reduction in plant water usage of approximately 20,000m<sup>3</sup>/year, representing a cost savings of approximately €20,000/year. This represents a reduction of approximately 30 percent of total annual water usage on the site.

Though we are making solid progress to reduce our usage through projects like the one mentioned above, challenges still exist, including gaining a better understanding of our water-related risks, continuing to reduce water use as production increases, and reducing water use in the manufacture of our consumer products, where often it is a component.

**Water Discharge**

In 2011, we are for the first time reporting our water discharge volume, 7.6 million cubic meters, and where these wastewaters are discharged: 70 percent to waste water treatment plants, 17 percent to surface water bodies, 3 percent to the ocean, and less than 1 percent subsurface. Discharges are monitored, as required, to demonstrate compliance with the applicable water quality standards; water discharge quality data is not tracked at the enterprise level.

EN21

**Pharmaceuticals in the Environment**

Pharmaceutical residues in the environment (PIE) are found in water bodies, mostly due to excretion of medicines by patients and consumers, and remain a focus of both the media and regulatory agencies. In 2009, the U.S. Environmental Protection Agency updated the list of chemicals it may examine to determine whether regulation may be necessary. In 2011, the Agency issued a Federal Register proposal to add hormones to the list of unregulated contaminants that water companies must monitor. Johnson & Johnson is monitoring this issue and has published several studies examining the safe exposure concentration levels for these compounds.

In Europe, limits have been proposed on three active pharmaceutical ingredients (APIs), and additional materials are being considered for regulation. We believe that any regulations proposed should be strongly grounded in science, and we support further scientific research to better understand the impact of trace amounts of pharmaceutical and other compounds on the environment. We are actively engaged on this issue both on our own and in cooperation with academia, industry and government.

Members of the Johnson & Johnson Family of Companies that produce APIs have characterized their wastewater effluents, and we continue to reduce or eliminate these sources from our manufacturing wastewater discharges. We have conducted Environmental Risk Assessments for all new drug compounds and have collected environmental risk assessment data for all major Johnson & Johnson pharmaceutical products as well as a prioritized list of legacy products. We continue to explore the strategies available for future action, including looking at predictive models that would enable the selection of less harmful ingredients during product development. And although

no regulatory limits exist, we are working to establish self-imposed limits for pharmaceuticals and wastewater toxicity.

We continue to fund a study with the National Science Foundation and several universities to assess cost-effective methods to test for and treat pharmaceuticals in wastewater. As a founding member of the Water and Environment Technology (WET) Center hosted at Temple University, we are engaged with its efforts to find technologies that can assist with reducing the level of PIE in wastewater, and one of our sites is participating in pilot-testing a technology recently developed at the WET Center. Onsite feasible treatment methods vary by product type and multiple products may be manufactured at a single facility, complicating treatment technology applicability.

In the U.S., Johnson & Johnson supports the U.S. White House Office of National Drug Control Policy for the Proper Disposal of Prescription Pharmaceuticals, and participates in SMARxT Disposal, an educational effort led by PhRMA, the U.S. Fish & Wildlife Service and the American Pharmacists Association to inform consumers about proper disposal of unused or expired medicines. In Europe and Canada, we comply with host-country directives and in cooperation with the European Commission Directorate General Environment. Belgium, France, Luxembourg, Portugal and Spain have take-back programs operated by the pharmaceutical network as a whole, and Denmark, Finland, Germany, Italy, Sweden and the U.K. conduct take-back programs through pharmacies in collaboration with a public or private waste contractor.

Another area of focus is on endocrine compounds and endocrine disrupting chemicals. In Europe, a final endocrine disruption plan is due to be published shortly, and in the United States, new testing methods to evaluate potential impacts are under development.

## Waste Management

In 2010, we exceeded our *Healthy Planet 2010* goal to reduce hazardous waste disposed by 10 percent and non-hazardous waste disposed by 10 percent from our 2005 baseline, achieving a 25 percent decrease in hazardous waste disposed and a 12 percent reduction in non-hazardous waste disposed.

EN22

Our *Healthy Future 2015* goal is to achieve a 10 percent absolute reduction in total waste disposal using 2010 total waste disposal as a baseline. This approach allows our Companies to apply their waste reduction efforts strategically, relative to their own operations. In 2011, our hazardous waste generation increased by just over 9 percent, from 27.2 to 29.6 million kilograms, and our non-hazardous waste generation dropped by just over 18 percent from 58.3 to 47.7 million kilograms. Combined, our waste generation fell by 9.5 percent, from 85.4 to 77.3 million kilograms.

MANAGEMENT OF HAZARDOUS WASTE <i>(in thousands of kilograms)</i>		
	2011 ON-SITE	2011 OFF-SITE
Recycled	2,884	15,132
Reused	882	175
Landfilled	0	4,514
Incinerated	0	4,269
Energy recovery	0	18,384
Biological/chemical treatment	6	1,523
<b>Total</b>	<b>3,772</b>	<b>44,025</b>

MANAGEMENT OF NON-HAZARDOUS WASTE <i>(in thousands of kilograms)</i>		
	2011 ON-SITE	2011 OFF-SITE
Recycled	8	57,694
Reused	906	11,265
Landfilled	0	24,638
Incinerated	0	2,173
Energy recovery	0	18,137
Biological/chemical treatment	118	2,727
<b>Total</b>	<b>1,033</b>	<b>116,634</b>

**Waste Disposal Remediation.** Johnson & Johnson is remediating contamination at 18 current or former facilities at a cost of \$8.4 million in 2011. We hold approximately \$50 million in reserve for the continued cleanup of these sites and for any potential waste-disposal site liabilities.

### Facility Environmental Transparency

Expectations for transparency around what companies do—and how they do it—has grown dramatically in recent years. For our environmental programs and performance, this means providing a clear picture of our successes and challenges—not only at the corporate level, but at the facility level as well. To achieve this, we require each of our facilities to post facility specific information to our website. As part of our *Healthy Future 2015* goals, we have expanded our efforts to increase transparency by adding a goal for each of our Business sectors to share brand product sustainability information on their major brand websites. This will assist the growing number of our customers who choose to align their lives with their societal and environmental values. See more under Transparency.

### Biodiversity Conservation

Biodiversity refers to the variety of life on earth and, as defined by the United Nations Convention on Biological Diversity, includes diversity of ecosystems, genes and species, and the

ecological practices that support them. Serious threats to biodiversity are increasing, and concern about global biodiversity loss has emerged as an issue with potentially negative health, societal and economic consequences.

As a health care company, Johnson & Johnson respects the importance of conserving biodiversity, and believes that preserving biodiversity and ensuring the sustainable and fair use of biological resources is an important and shared responsibility. Our position statement, [Respecting Biodiversity](#), is available in its entirety on our website. We agree with the intent of the Convention on Biological Diversity, which promotes conservation and the sustainable use of biodiversity and outlines guidance related to the acquisition and utilization of natural and biological resources. We support an approach that enables health care companies to search for and develop novel compounds to treat and cure disease and to improve quality of life, while respecting the environment and protecting the interests of the owners or traditional users of these biological materials. We are not presently engaged in bio-prospecting; however, we have a few limited activities with business partners searching for and studying new natural products on our behalf. Initial screening of this sort requires a small sample size and does not negatively impact the environment; nonetheless, we remain committed to engaging in conversations about protecting the interests of the owners of these materials.

Given the decentralized structure and geographic range of our operations, each site is responsible for managing and addressing biodiversity protection at a local level and many of them have ongoing biodiversity projects in place. Biodiversity projects were required as part of our *Healthy Planet 2010* goals, and sites are encouraged to continue their efforts, even though this goal has sunset.

EN13, 14

In 2011, we participated in the Forest Footprint Disclosure (FFD) project for the first time. The FFD, initiated in 2008, is a project of the Global Canopy Foundation. FFD asks private sector companies to disclose aspects of their 'forest footprint' based on exposure to five key commodities—soy, palm oil, timber/pulp, cattle products and biofuels—in their operations and/or their supply chains. In 2011, the Forest Footprint Disclosure Request was sent out to 357 international companies; 87 companies responded.

Johnson & Johnson has active responsible sourcing programs for the two commodities that are most material to its businesses: timber/pulp and palm oil. Johnson & Johnson maintains a requirement to have 90 percent of our office paper and 75 percent of our paper-based packaging contain greater than 30 percent post-consumer recycled content or fiber from certified forests. And since 2005, we have followed the Sustainable Packaging Coalition Guidelines with a goal of using packaging that is sourced responsibly, made entirely using renewable energy, and recycled after use. (Read more about our packaging efforts under Product Stewardship.)

Regarding palm oil, we have a Healthy Future goal to have all palm oil and palm oil derivatives sourced from certified sustainable sources by 2015. As an interim step, since 2010, we have purchased GreenPalm certificates equivalent to 100 percent of our estimated usage of ingredients derived from palm oil. Due to the complexities of the palm oil derivatives supply chain, GreenPalm certificates offer us a near-term opportunity to support the production of certified sustainable palm oil as the monies to purchase the certificates directly benefit the RSPO certified palm oil producers. Also, in 2011, we joined the RSPO Trade and Traceability Standing Committee and maintained our involvement in the RSPO Technical Working Group on Derivatives, forums established to support the growth and use of Certified Sustainable Palm Oil across the supply chain. By working collaboratively through these and other multi-stakeholder platforms, we will realize our ultimate goal of purchasing ingredients derived from certified sustainable palm oil.

## Product Stewardship and Design

Product stewardship integrates the concept of sustainability into how products and packaging are developed, improved, transported, sold, used and disposed. Our second generation greener product process, known as EARTHWARDS®, helps our product teams to understand the environmental and social impacts at each stage of a product's life cycle, identify ways to reduce its environmental footprint and uncover opportunities for credible environmental claims. Our *Healthy Future 2015* goals call for all new products and packaging to be evaluated for sustainability improvements and for a total of 60 products to achieve the EARTHWARDS® recognition.

### Packaging Improvements

Enterprise-wide, all business units must evaluate all new products and product packaging for sustainable packaging improvements, including opportunities to: increase the use of sustainably sourced paper, increase use of Post Consumer Recycled (PCR) content for paper and plastic, increase use of bio-based materials, eliminate use of Poly Vinyl Chloride (PVC) (except for blister packaging), increase the recyclability of packaging materials and reduce the size of packaging. Efforts are continuing to have all office paper and paper-based packaging either contain more than 30 percent post-consumer recycled content or fiber from certified forests. As of the end of 2010, 97 percent of packaging and 92 percent of office paper met these goals, and in 2011, we continued to work on improving these results.

EN2, 27

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 shipping containers. As of the end of 2010, we had eliminated over 3,000 tons of PVC packaging; 87 percent of our PVC packaging in

the Consumer sector excluding OTC blisters; 78 percent of our secondary and tertiary PVC packaging in the Pharmaceutical sector; and 100 percent of our secondary and tertiary PVC packaging in the Medical Devices and Diagnostic sector. Our Consumer and the Pharmaceutical sectors are committed to removing the remaining amount of PVC packaging by year end 2013, and the elimination of PVC has been incorporated into our Global EHS Standards. We are committed to continue our PVC removal efforts from all packaging except for legacy pharmaceutical blisters.

**Business Specific Initiatives**

Our 2011 acquisition of SterilMed supports our product stewardship efforts through the business of reconditioning and reusing medical equipment that was previously identified as single use equipment. And in our MD&D sector, efforts are underway to remove target compounds identified by the Restriction of the Use of Certain Hazardous Substances directive in Europe, which bans new electrical and electronic equipment containing more than agreed levels of lead, cadmium, mercury, hexavalent chromium, and polybrominated biphenyl (PBB) and polybrominated diphenyl ether (PBDE) flame retardants from being placed on the EU market. Compliance deadlines vary, depending upon the product, but many are as early as 2014. Several of our business units have already achieved these limits ahead of schedule, including our LifeScan business unit.

Our Pharmaceutical sector continued working with SMARxT, to educate consumers on proper disposal of prescription medicines and to build on efforts to promote and support green chemistry. And in our Consumer business, efforts continue to green our products. In 2011, examples included:

- Purchasing sustainable palm oil certificates equal to 100 percent of our estimated palm oil use from the GreenPalm program, to assist in protecting the rain forests from which the palm oil is sourced.
- Increased use of natural ingredients in product lines, such as the Johnson & Johnson Naturals and Neutrogena Naturals product lines.
- Increased use of bio-based materials, such as those used in the Sundown packaging.
- Continued use of life cycle assessment efforts to identify product improvement opportunities.

**EARTHWARDS®**

Earthwards® is Johnson & Johnson's proprietary process for developing and marketing greener products through life cycle thinking, and we have set a *Healthy Future 2015* goal to have a total of 60 products to achieve the EARTHWARDS® recognition by 2015. Every Earthwards® recognized product must achieve a greater than 10 percent improvement in at least three of the seven goal areas:

- Materials used
- Packaging reduction
- Energy reduction
- Waste reduction
- Water reduction
- Positive social impact or benefit
- Product innovation



EN1

While most of our products do not use energy to operate, reducing the energy requirements of products is included in the Earthwards® process. We're already half way toward achieving our goal of 60 Earthwards® products by 2015. At the end of 2011, we had 26 products that had achieved Earthwards® recognition and four more achieved recognition in January 2012. The recognized products span all three sectors with Consumer having 13, Medical Devices and Diagnostics eight and Pharmaceuticals five. Some of the most prominent Johnson & Johnson products that have achieved Earthwards recognition include JOHNSON'S® NATURAL™ Baby Wash, o.b® Tampons, INVEGA® Sustenna™ (paliperidone), ACUVUE® OASYS® Brand Contact Lens and the OneTouch® UltraMini® Testing Kit.

EN6

Some recent highlights of products that have received Earthwards® recognition include:

**NEUTROGENA® Naturals Purifying Facial Cleanser**




- Product formulation contains 90 percent naturally derived ingredients.
- Packaging contains 30 percent post-consumer recycled content.
- 70% reduction of greenhouse gas emissions achieved through supply chain improvements.
- Through a partnership with The Nature Conservancy, sales from the product will help promote clean water projects in the United States.

Neutrogena Naturals, which was the first full line of products to receive EARTHWARDS® recognition through achieving



**REDUCING OUR IMPACT:** As part of efforts to encourage sustainable palm oil supply and sourcing, Johnson & Johnson works with organizations that engage in sustainable palm oil farming practices. Our *Healthy Future 2015* goal includes efforts to engage suppliers, collaborate with nongovernmental organizations and support projects to increase the availability of certified sustainable palm oil supplies.

significant improvements in natural formulation, more sustainable packaging materials, and reductions in energy use and greenhouse gas emissions. These improvements have helped the brand achieve significant success in the market, including Neutrogena Naturals Cleansers being the No.1, No. 3, and No. 4 new items in 2011.

**SIMPONI® (Golimumab)**



- In the U.S., a new sample distribution system includes a shipper that is returnable, reusable, and employs USDA-certified bio-based cooling materials.
- The new shipper is 50 percent lighter than the previous version and helps prevent the disposal of more than 42,000 cubic feet of Styrofoam annually.
- A multi-use injection trainer reduces waste and a mail-back system ensures the safe disposal of used autoinjectors.



Our SIMPONI® Brand samples are now sent to doctors' offices in boxes that can be reused up to 100 times, are 50 percent lighter, use bio-based cooling media, and can be recycled at the end of life. What this has meant to our customers is a smaller, more convenient package that saves both space and the cost of disposing of shipping packaging.

**ValuTrus™ Circular Stapler**



- 85 percent reduction of materials.
- 90 percent reduction in packaging\*.
- Greater than 90 percent waste reduction\*.
- Socially sustainable solution for underserved populations for access to superior medical technology.



\* Compared to EES base product

For the Medical Devices and Diagnostics market in China, our ValuTrus™ line of surgical staplers were designed to significantly reduce materials, waste generated and packaging, saving money for Johnson & Johnson and our customers. Additionally, the devices have proved to be a socially sustainable solution for underserved populations for access to superior medical technology.

Earthwards® is not an ecolabel; you'll never see it on the side of a Johnson & Johnson product. Rather, it's a rigorous process that's been through a third-party assurance audit conducted in November 2011 by UL Environment. UL Environment provides ongoing annual assurance review of the Earthwards® process and verifies that program guidelines and minimum requirements are being properly followed. These guidelines and requirements

provide a framework that allows Johnson & Johnson brands to make continuous product improvements across a broad range of life cycle impact areas. The Earthwards® protocols have been designed and implemented by Johnson & Johnson.

Further, each product is evaluated against a proprietary scorecard, developed in 2009 and updated continuously by a group of product sustainability experts from government, academia, business and environmental NGOs. Once a product has earned the distinction as an Earthwards® product, it must undergo an annual review in order to retain the recognition.

A complete list appears below.

**Consumer Products**

- AVEENO® POSITIVELY NOURISHING™ Body Moisturizers
- BANDAID® Brand Adhesive Bandages
- JOHNSON® Naturals (two products)
- NATUSAN® First Touch (three products)
- NEUTROGENA® Naturals™ (seven products)
- o.b.® Tampons
- o.b.® Tampons (Europe)
- SUNDOWN®

**MD&D**

- ACUVUE® Advance® Brand Contact Lenses
- ACUVUE® OASYS® Brand Contact Lenses
- One Touch® Blood Glucose Meters
- SURGICEL®
- ValuTrus™ Advant™ 55 Linear Cutter/Stapler
- ValuTrus™ Circular Stapler
- ValuTrus™ Linear Stapler ADLH
- ValuTrus™ PPH

**Pharmaceuticals**

- INVEGA® SUSTENNA® (paliperidone palmitate)
- NUCYNTA® (tapentadol)
- REMINYL® (galantamine)
- SIMPONI® (golimumab)
- STELARA® (ustekinumab)

**Human Rights**

At Johnson & Johnson, respect for human rights is a core responsibility. We are committed to respecting human rights as embodied in the [Universal Declaration of Human Rights](#) and its two corresponding covenants, [The International Covenant on Civil and Political Rights](#) and [The International Covenant on Economic, Social and Cultural Rights](#). In addition to the universal statements of human rights noted above, we follow the principles in the [International Labor Organization's Declaration on Fundamental Principles and Rights at Work](#), including non-discrimination, freedom of association and collective bargaining, and freedom from forced and child labor.

Our Statement on Human Rights articulates our commitments to protect human rights globally, and we have established a *Healthy Future 2015* goal to provide all critical employees with human rights training. Critical employees are defined as those in positions most sensitive to potential human rights infringements. In 2011, we developed, finalized and launched the Human Rights training. In 2012, we will initiate training of our procurement professionals, first, to address the human rights risks in the external supply chain, and second, continue to communicate the need and value of the training to our

HR3

employees. Human rights are also covered in the training addressing the Policy on Business Conduct and the Global

HR8

Labor and Employment Guidelines, which are provided to all employees.

HR5, 6, 7

We know that certain countries are considered at risk for human rights violations, including forced labor, child labor and restrictions on the right to exercise freedom of association or collective bargaining. Of the 60 countries in which Johnson & Johnson has operations, those countries considered at risk include:

- Angola
- China
- Colombia
- Egypt
- Georgia
- India
- Indonesia
- Israel
- Lebanon
- Malaysia
- Morocco
- Pakistan
- Russia
- Saudi Arabia
- Thailand
- United Arab Emirates
- Venezuela
- Vietnam
- Zimbabwe

Our Global Labor and Employee Guidelines articulate our expectations for labor and employment practices at our own sites. These guidelines require open communication with all employees, mandate respect for each employee's right to join or not join associations and/or labor unions or to bargain collectively, prohibit discrimination and forced labor of any kind, and require adherence to and enforcement of child labor laws.

We also maintain a Policy on the Employment of Young Persons that requires suppliers to abide by specific rules when employing persons under the age of 18 ("young persons") in the manufacture of any product or any component of a product. Our policy extends to all of our affiliates worldwide. The policy mandates that no person between the ages of 16 and 18 shall be employed unless such employment is in compliance with the health, safety and morals provisions of the International Labor Organization Convention 138 Concerning Minimum Age.

Our Vice President of Human Resources, reporting directly to our Chief Executive Officer, is responsible for overseeing our human rights efforts as stated in the Company's Global Labor and Employment Guidelines. Compliance is monitored under the Policy on Business Conduct through individual business units and culminates in the requirement of approximately 1,000 senior leaders in the Company to certify their compliance (or disclose exceptions) with the Policy on Business Conduct. This process is managed through the Office of the Secretary and Corporate

Internal Audit, with the results of the annual certification presented to the Audit Committee of the external Board of Directors. Procedures are in place to remedy any non-compliant situation reported to senior management. Employees are also free to anonymously report potential violations via a company-wide compliance hotline. Additionally, regional Labor and Employee Relations staffs are responsible for investigation of non-compliance in employee relations matters, and remediation of confirmed non-compliant situations are handled between regional Employee Relations and the respective business unit.

In 2011, we revised and expanded our Standards for Responsible External Manufacturers, extending the application of the standards to include all suppliers. The result is our Standards for Responsible Suppliers. While the human rights element of the labor and employment section already included numerous requirements related to human rights, it was strengthened to include a requirement to implement policies and/or procedures to evaluate the risk of human trafficking. The standards now apply to 100 percent of our significant suppliers (based on spend and products provided), although implementation across the entire supply chain will take time. The revised Standards are available on our responsibility website at [http://www.jnj.com/responsibility/ESG/social/Supply\\_Chain/Standards](http://www.jnj.com/responsibility/ESG/social/Supply_Chain/Standards).

HR1

External Manufacturers are subject to periodic inspections and must maintain records to demonstrate conformance to these standards. As of the end of 2011, 98 percent of our approximately 700 External Manufacturing and active pharmaceutical ingredient (API) supplier sites had undergone human rights screening and were in conformance with our standards. Of the remaining 2 percent, some had yet to be assessed, and others were working to come into conformance with some element of the standards. Very few of our assessed external manufacturers and API suppliers had findings related to human rights that required corrective action. Going forward, we will continue to monitor these suppliers to verify that they continue to conform to our human rights standards, with a strong focus placed on the 100 out of approximately 700 that are located in high risk countries.

HR2

Our *Healthy Future 2015* goal requires that all suppliers in high risk countries confirm awareness of and conformance with the human rights provisions of our policies. For the purpose of determining high risk countries, we use regulatory requirements within the country pertaining to product safety, application of good manufacturing practices/quality management systems and protection of intellectual property, including the enforcement of regulations and the ranking of the country in the Corruption Perception Index produced by Transparency International and the Johnson & Johnson Export Compliance Policy. As discussed above, this has been accomplished for our External Manufacturers and API suppliers. To meet this goal across our supply chain, we need to confirm the actual supplier manufacturing location, as opposed to marketing or billing location. In 2011, our efforts on this goal consisted of clarifying

what additional data are needed to accomplish this goal, and exploring possible strategies and approaches to meet it.

## Transparency

Societal expectations have changed, with increased levels of transparency being demanded from all institutions—governments, universities, public entities, advocacy groups and businesses—reflecting the reality that in the course of ordinary operations, institutions of all kinds impact people. We understand the importance of sharing information on our business operations and the public policies and political candidates we support. To meet the growing expectations for enhanced transparency:

- We are examining our key performance metrics and data collection systems to see where it makes sense to expand our data collection efforts to enable us to collect, track and report enterprise-wide performance.
- For the last several years, we have been systematically increasing the information provided in this report, including metrics on our supply chain, human rights, labor practices, and other social and environmental indicators. This effort will continue.
- We post facility performance information for our Johnson & Johnson facilities on our website at [http://www.jnj.com/responsibility/ESG/Environment/Environmental\\_Performance/facilitytransparency/](http://www.jnj.com/responsibility/ESG/Environment/Environmental_Performance/facilitytransparency/)
- In 2011, our reporting on payments to physicians expanded to include U.S. Medical Devices and Diagnostics units, reflecting the general provisions of the U.S. Physician Payment Sunshine Act. Our U.S. pharmaceutical companies have been providing information on their websites about payments to physicians since 2010. More information is available on our website at [http://www.jnj.com/responsibility/ESG/Social/Our\\_Philanthropy/Transparency\\_in\\_Giving/](http://www.jnj.com/responsibility/ESG/Social/Our_Philanthropy/Transparency_in_Giving/)
- We post results of controlled clinical studies, regardless of their outcomes, online at ClinicalTrials.gov. Our researchers are committed to publishing results that are scientifically or medically important, including results that affect the registration or utilization of a Company product, as well as results from discontinued clinical research. See [http://www.jnj.com/responsibility/ESG/Social/Product\\_Development/Clinical\\_Trials/](http://www.jnj.com/responsibility/ESG/Social/Product_Development/Clinical_Trials/)
- Our Pharmaceutical and Medical Device and Diagnostics companies in the U.S. disclose the nature and volume of grants they make for professional education. More information is available on our individual company websites.
- We report our progress on our sustainability goals annually, and have done so for over 15 years.
- We post a list of all U.S. political contributions to our website at [www.investor.jnj.com/governance/contributions.cfm](http://www.investor.jnj.com/governance/contributions.cfm). Outside of the United States, political contributions are routinely made in Canada, Japan and Australia. These contributions are tracked at the local level, and in 2011 were less than \$15,000 in each

instance. More information can be found on our website at [http://www.jnj.com/responsibility/ESG/Governance/Public\\_Policy\\_and\\_Contributions/Overview](http://www.jnj.com/responsibility/ESG/Governance/Public_Policy_and_Contributions/Overview) and <http://www.investor.jnj.com/governance/contributions.cfm>.

One of our *Healthy Future 2015* goals is to have all major Johnson & Johnson brand websites share product sustainability information. In 2011, we worked with our sector sustainability leads to identify our “major brands”; 23 were identified using a combination of factors including sales, global impact, long-term strategic value and consumer interest. The 23 major brands are:

### Consumer

AVEENO®, NEUTROGENA®, JOHNSON'S®, LISTERINE®, o.b.®, and LE PETIT MARSEILLAIS®

### Pharmaceuticals

REMICADE®, STELARA®, VELCADE®, XARELTO®, SIMPONI®, ZYTIGA®, PREZISTA®, NUCYNTA®, and INVEGA® SUSTENNA®

### Medical Devices & Diagnostics

Ortho-Clinical Diagnostics, Ethicon, Ethicon Endo-Surgery, Vistakon, ANIMAS®, LifeScan, DePuy and Cordis.

The next step was to establish our goal baseline—to understand which of these brands was already sharing sustainability information on their websites. A total of seven, or 30 percent, were identified, including JOHNSON'S®, NEUTROGENA®, AVEENO®, DePuy, Ethicon Endo-Surgery, LifeScan and ASP. Going forward, we will be looking to expand product sustainability information for those brands already providing it and working with the remainder to begin the sharing of this information.

Another *Healthy Future 2015* goal is to enhance economic and sustainability reporting online and increase reporting in key markets. To this end, we produce sustainability reports in key markets, including Brazil and China, and are using these reports to develop a template approach for other locations. Our Responsibility website was rolled out last year to share increasing levels of information with our stakeholders.

As part of our *Healthy Future 2015* goals, we have also set a goal to expand information on our policy perspectives on major issues. In 2011, we launched [www.jnj.com/responsibility](http://www.jnj.com/responsibility) to serve as an ongoing resource about our sustainability performance and citizenship efforts; defined and developed positions on major issues; and issued a human rights policy. We also issued position statements on product formulation (see section on Quality and Safety of Products in this report) and on the Medicines Patent Pool (see 2011 Sustainability Report Summary; Licensing Accelerates Access).

### Public Policy

At Johnson & Johnson, we believe that it is important to encourage the development of sound public policy, worldwide. With good policy, we can better serve doctors, nurses, patients and consumers, our employees and our communities around the globe.

**Our Government Affairs Philosophy and Priorities**

Johnson & Johnson strives to provide leadership in advancing a world where all people have access to affordable, innovative and sustainable solutions for healthy living. This philosophy drives how we determine our government affairs and policy priorities.

We support:

- Compassionate and fair health policy;
- Innovation that improves the standard of care;
- High quality, affordable health care delivered safely and effectively;
- Sustainable growth and environmental protection;
- Free-market economic principles;
- Enabling people to make informed decisions about their health and well-being.

Our 2012 strategic imperatives align with our vision and guide how we prioritize our government affairs activities. We support:

- Timely market access for our products and health care systems that enable patient access to innovative and high quality care.
- Regulatory policy that supports innovation, market access and growth.
- Legislation that provides incentives for innovation and enables sustainable business growth.
- Enlightened public health policies, as well as sustainable partnerships and innovative programs to enhance public health.

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Following is a list of our highest current priorities for U.S. Government Affairs activities:

**Support for:**

- Reauthorization of FDA pharmaceuticals, medical device and diagnostic, and cosmetic user fee acts, including policies to modernize FDA programs.
- Certain aspects of the Patient Protection and Affordable Care Act, such as biosimilars provisions and expansion of market based coverage options.
- Policies to protect the safety and integrity of the product supply chains.
- Fairness in Medicare competitive bidding of diabetes products.
- Funding of patient access programs.
- Policies to ensure continued appropriate access to consumer health products such as pseudoephedrine.
- Policies to prohibit minors from accessing dextromethorphan-containing products.
- Comprehensive corporate tax reform.

- Civil justice reform.
- Free trade agreements.

**Opposition to:**

- Proposals to change market-based elements of the Medicare Part D program.
- Certain aspects of the Patient Protection and Affordable Care Act, such as the Independent Payment Advisory Board.
- Policies allowing for importation of pharmaceutical products.

**Our Participation with Trade and Policy Development Organizations**

GRI 4.13

Johnson & Johnson is committed to supporting the development of sound public policy in health care. We work with many organizations across the political spectrum on a variety of policy issues related to health and other topics that impact patients, consumers and our Company. In the U.S. and elsewhere, this means engaging with stakeholders, policy experts and others to develop well-considered policies that reflect diverse perspectives.

Therefore, we are a member of trade associations that advocate for our industry and free enterprise, and we financially support several policy development organizations and think tanks whose purpose is to, among other civic activities, write policy position papers or model legislation. While we express our views to organizations with which we work, we may not align with or support every public position each of these broad-based groups takes.

Johnson & Johnson does not currently make direct expenditures towards U.S. federal grassroots lobbying communication to the general public.

Following is a list of U.S. trade associations to whom Johnson & Johnson paid dues over \$75,000 in 2011:

- Advanced Medical Technology Association (AdvaMed)
- Biotechnology Industry Organization (BIO)
- California Healthcare Institute (CHI)
- Consumer Healthcare Products Association (CHPA)
- Grocery Manufacturers Association (GMA)
- Healthcare Leadership Council (HLC)
- HealthCare Institute of New Jersey (HINJ)
- National Health Council (NHC)
- Personal Care Products Council (PCPC)
- Pharmaceutical Research and Manufacturers of America (PhRMA)
- U.S. Chamber of Commerce

### **Our Political Action Committee and Corporate Political Contributions**

One aspect of advancing sound public policy is supporting those women and men who serve the public by seeking elected office. We do not expect candidates who receive contributions from our employee political action committee or our Company to agree at all times with our positions on policy issues. Rather, we seek to support candidates who recognize the importance of medical innovation in improving lives, while also recognizing that a fair, free-market system provides the best environment for continued innovation. When selecting candidates for funding, priority is given to candidates' views on issues that concern the businesses of Johnson & Johnson and also the impact of candidates' views on our employees or facilities in a candidate's state or district.

While U.S. Federal law prohibits corporations from making political contributions to Federal candidates, companies can establish political action committees that are funded solely through voluntary employee contributions. Since 1972, Johnson & Johnson has provided limited administrative support to our U.S. employee political action committee, the Johnson & Johnson Political Action Committee (JJPAC).

JJPAC offers eligible U.S. employees a direct means to voluntarily participate in shaping sound public policy and voicing views on issues related to our businesses. The JJPAC operates in accordance with all relevant state and Federal laws. Information about JJPAC is available on the U.S. Federal Election Commission website.

In certain states where it is permitted, Johnson & Johnson makes corporate contributions to support state election campaigns, state party committees and state ballot measures. Johnson & Johnson operates in accordance with all relevant laws. Johnson & Johnson does not make direct independent expenditures.

All contributions to candidates are made based on the interests of the Johnson & Johnson Family of Companies, as well as the patients and customers those businesses we serve. In order to receive contributions, candidates must meet one or more of the following criteria:

- Have a voting record or philosophy that is aligned with the interests of the Johnson & Johnson Family of Companies, as well as the patients and customers that we serve.
- Represent a district where there is a Johnson & Johnson facility.
- Be a member of a standing committee relevant to the interests of the Johnson & Johnson Family of Companies, as well as the patients and customers that we serve.

In the interest of transparency for our shareholders and other stakeholders, we make available lists of all PAC and corporate political and ballot measure contributions. This list is updated annually and archived on our Investor Relations website.

Beginning in 2012, all political contributions will be posted semi-annually; the next report is scheduled to be posted here in August 2012.

- [2011 Political Contributions](#)
- [2010 Political Contributions](#)
- [2009 Political Contributions](#)
- [2008 Political Contributions](#)
- [2007 Political Contributions](#)

Our latest filings as of May 2012 are also found on the [U.S. Senate Lobbying Disclosure Act Reports website](#).

### **Governance and Oversight of Government Affairs Activities**

Johnson & Johnson policies and positions are developed in coordination with Corporate and operating company leaders, through thorough analysis and discussion. General oversight is provided by the Regulatory, Compliance & Government Affairs Committee of the Johnson & Johnson Board of Directors.

An advisory committee comprised of employees who are JJPAC participants and who represent U.S. domestic operating companies assists the Company's Government Affairs and Policy department in selecting candidates, committees and state ballot measures to support. Members of senior management approve all PAC and corporate political contributions.

As part of its oversight role in government affairs and policy, the Regulatory, Compliance & Government Affairs Committee of the Johnson & Johnson Board of Directors also receives an annual report of the Company's political contribution and lobbying policies, practices and activities. The Company's PAC and corporate political spending is audited biennially. Finally, Johnson & Johnson has a code of conduct that prohibits employees from using corporate funds or assets for political purposes unless approved by the appropriate member of senior management.

Questions about contributions should be directed to: Treasurer, Johnson & Johnson Political Action Committee, One Johnson & Johnson Plaza, New Brunswick, NJ 08933.

## **Supply Chain**

Taking responsibility for the environmental and social impacts of our products means looking past our own manufacturing operations to that of our supply chain. We are working closely with our supply chain partners to promote sustainability related to the sourcing and use of materials and ensure that manufacturing and production processes are socially and environmentally responsible.

With annual spending of approximately \$25 billion, we are able to leverage our purchasing power to set sustainability

expectations beyond our own operations. We believe that sustainability efforts in Procurement are an investment in our future, and when we make purchasing decisions we strive to give preference to purchasing products or services that demonstrate the following attributes:

- Use of renewable resources;
- Use of sustainable practices;
- Energy efficiency;
- Packaging efficiency;
- Transport efficiency;
- Made from recycled materials and/or can be recycled or reused at end of life;
- Products do not contain or use in their production materials listed on the Johnson & Johnson Watch List (a compilation of lists of banned/ restricted materials according to country/ regional legislation).

Guidance to Johnson & Johnson Procurement professionals is mostly provided through our Procurement Sustainability Initiative (PSI). The PSI is a category-based team driving supplier sustainability goals and initiatives throughout Johnson & Johnson and our strategic supply base. PSI efforts aspire to have the ability to track spend with sustainable suppliers and ensure sustainability of materials and services throughout our end-to-end supply chains.

Through PSI, we evaluate several non-financial performance factors when contracting with suppliers, seeking to partner with those who are aligned with our sustainability commitments. Across 14 broad categories of goods and services we purchase, we look for suppliers who are transparent about their sustainability programs, who can ensure us the goods and/or services we are buying take into account sustainability and who can verify the legal/regulatory compliance of their supply chain.

We have specifically identified one aspect of these efforts in our *Healthy Future 2015* goal that sets an expectation that all strategic suppliers will publicly report on two or more sustainability goals. The accepted goal categories are: energy reduction, waste reduction, water use reduction, workforce injury/illness reduction, workforce wellness, community and human rights investment. A tool, known as the Sustainability Toolkit for Suppliers, has been developed to assist our suppliers in this process.

In 2011, we identified over 300 strategic suppliers (based on spend and/or product supplied) in each of these 14 broad procurement categories. We then verified the amount spent with each of these suppliers—a total of more than \$25 billion in 2010. Initial outreach was then conducted to determine how many of the strategic suppliers had two or more publicly reported sustainability goals. More than 100 of those assessed met the criteria. Our challenge going forward will be to continue with our assessments and partnerships to assist all remaining suppliers in meeting this goal.

Additionally, as a participant in the Carbon Disclosure Project's (CDP) Supply Chain program, we encourage suppliers to measure their energy use and greenhouse gas emissions, and to develop and publicly report on their emissions. By the end of 2011, 97 out of the 123 suppliers that we approached, or 79 percent, chose to participate in the program.

### Supplier Standards

In 2011, we revised and expanded our Standards for Responsible External Manufacturers, extending the application of the standards to include all suppliers. The result is our Standards for Responsible Suppliers. The changes included increasing our expectations for supplier transparency and performance monitoring, as well as the addition of key elements to the Labor and Employment, Employee Health and Safety, Environmental Protection, and Management Systems standards. While the standards now apply to 100 percent of our tens of thousands of suppliers, implementation across the entire supply chain will take time. We are prioritizing our suppliers, based on risk, importance to our products, and spend, and focusing on those suppliers that we define as strategic to our business. The revised Standards are available on our Responsibility website at [http://www.jnj.com/responsibility/ESG/social/Supply\\_Chain/Standards](http://www.jnj.com/responsibility/ESG/social/Supply_Chain/Standards).

We have prepared an implementation strategy focused on key risk factors and on suppliers that have been identified as strategic. The level of supplier risk will drive any supplier assessments, including the type of assessment, the frequency, and the level of expertise needed to conduct the assessment. Findings will be communicated to the supplier, and corrective actions required and monitored. As a practice, if we discover minor violations of our Standards, we will work with the supplier to identify areas and strategies to improve performance. If significant violations are identified that cannot be resolved, the relationship with the supplier may be terminated.

This program builds on and expands the scope of the requirements we previously had applied to our External Manufacturers and API suppliers, who have been for some time subject to periodic inspections and required to maintain records to demonstrate conformance to our standards. As of the end of 2011, 98 percent of our approximately 700 external manufacturing and active pharmaceutical ingredient supplier sites had undergone risk assessments and initial assessments against our Standards and were found to be in conformance. Of the remaining 2 percent, some had yet to be assessed, and others were working to come into conformance with some element of the standards.

### Supplier Diversity

We also recognize the value and importance of having a diverse supplier base reflective of our patients and customers and that creates jobs in local communities around the world. We are committed to working with small businesses and diverse suppliers who support our growth objectives by providing innovative solutions to our commercial, supply chain and R&D

efforts. Our Supplier Diversity Program was established in 1998 to support this commitment.

In 2011, Johnson & Johnson added several supplier goals as part of *Healthy Future 2015*. One of these goals is to achieve \$1 billion in spend with diverse suppliers by 2011, and to increase our diverse supplier spend by 5 percent per year thereafter. We exceeded this goal in 2011, realizing a total spend of over \$1,305 million with diverse suppliers in 2011 in the United States. Our U.S. spend with a variety of groups are displayed below:

- Minority- and Women-Owned Business Enterprises (M/WBE) suppliers spend: \$1.3 billion (a 22 percent growth over 2010; 17 percent over the goal)
- Use of over 2,200 M/WBE suppliers
- Small business suppliers spend: over \$3 billion
- Veteran business suppliers spend: over \$103 million
- LGBT suppliers spend: \$1.7 million
- 59 percent Increase in spend with top 200 suppliers, 2009 vs. 2011
- 41 percent increase in median spend with all M/WBE suppliers, 2009 vs. 2011
- 23 percent increase in veteran spend, 2009 vs. 2011

Supplier diversity progress is reported to the Johnson & Johnson Executive Committee on a regular basis. Our strong commitment to supplier diversity has allowed us to enhance our supplier network, support job creation in our local communities, and strengthen ties to the consumers, patients and doctors who benefit from our products and services. We have had an active outreach and advocacy program in place for many years and established a formal Office of Supplier Diversity in 1998. Going forward, we are looking to expand our supplier diversity program to areas outside of the United States. Teams have been assembled to support these efforts, with those in EMEA and the United Kingdom being furthest along.

## Emerging Markets

Johnson & Johnson has been a global company since the 1920s, when we established our first international affiliates in Canada and Great Britain. Today, we have a large global footprint, with operations in 60 countries. Our fastest growing markets are the emerging markets, and meeting needs for patients and customers in these markets remains a strategic imperative throughout our business segments.

In 2011, we saw strong double digit growth in emerging markets. In addition to the BRIC countries—Brazil, Russia, India and China—other markets too are showing growth acceleration. These include Mexico, Latin America, Southeast Asia and the Middle East. Among global health care companies, we have an outstanding strategic balance of revenues from the U.S. and

revenues from international markets, particularly in high-growth markets.

Our efforts in emerging markets range from developing and introducing market appropriate products and services to building health care capacity and expanding access as health care reforms bring new opportunities to meet unmet needs.

### Market-Appropriate Products

Our decentralized management approach encourages our businesses to develop products and marketing strategies tuned to local cultures, enabling them to explore new product categories and even new business models. We've increased our investments with innovation centers in China, India and a consumer innovation center in Brazil. Our companies in emerging markets also build on the strong international equity of our well-established brands.

In 2011, our Consumer group continued its expansion into emerging markets with the acquisition of the Dr. Mom and Rinza lines of over-the-counter cough-and-cold brands in Russia.

Our Diabetes Care business launched the OneTouch® SelectSimple™ meter in India, offering patients a simple, affordable and effective option for self-monitoring of blood glucose levels. India has become the diabetes capital of the world, so a product like this is critical. Additional OneTouch® SelectSimple™ launches are planned for emerging markets in Asia-Pacific, Eastern Europe and Latin America.

We've also launched a line of quality, affordable sutures in several emerging markets, including China, Russia and Brazil.

### Health Care Capacity

Along with market-appropriate products and services, we emphasize efforts to build health care capacity. Johnson & Johnson has a strong and growing network of more than 25 medical and surgical institutes around the world, including the Johnson & Johnson Diabetes Institute, LLC, and THE VISION CARE INSTITUTE®, LLC.

In 2011, we opened a new training institute in Southern India where we'll train approximately one thousand physicians a year in the latest orthopaedics techniques and technologies, helping to ensure that patients can get the quality care they need. Today, we estimate there are only about 1,600 well-trained orthopaedic surgeons in India. If current health trends continue, the country will need 4,500 joint surgeons within the next five years.

In 2010, we opened the Johnson & Johnson Medical Innovation Institute in São Paulo, Brazil, where we provide state-of-the-art medical device training to more than 4,000 health care professionals from throughout Latin America every year.

Since 2008, we have operated the Russian Center for Professional Education in partnership with the Ministry of Health Care of the Republic of Tatarstan. Russia needs more than

40,000 skilled physicians to meet current demand for high-tech medical procedures, but only about 5,000 are appropriately trained today. Heart disease is rampant in Russia, for example, but angioplasties are performed at less than one-tenth the rate of the U.S. To date, we have trained more than 3,000 surgeons at our center.

In China, we are in the midst of an exclusive, three-year partnership with the Chinese Ministry of Health (MOH) through which we will work together to develop world-class programs to train and qualify physicians working in cardiovascular disease. This partnership—called “Project Touch”—utilizes more than 50 centers of excellence across the country. Physicians who are trained receive a certificate from MOH. Those who are not trained will not be allowed to perform advanced cardiovascular procedures in China. Our Cordis cardiovascular business was selected as the sole partner for this project at the recommendation of a panel of key opinion leaders, who cited our proven capabilities in physician education and the strength of our team in China.

### Access to Health Care

In addition to developing market-appropriate products and training physicians, we are also expanding access by partnering with governments in countries like China and India to ensure that our life-saving products are reimbursed under the insurance schemes that have begun to be made available to hundreds of millions of citizens for the first time.

## Wellness and Prevention

At Johnson & Johnson, we believe we are in a unique position to elevate “Health Literacy”—the degree to which people have the capacity to obtain, process and understand basic health information and services and to make good decisions. Elevated health literacy helps people to navigate the health care system, communicate with health care professionals, manage personal health care issues and increase their wellness. To promote health literacy, we have set a *Healthy Future 2015* goal to launch 100 community health literacy initiatives across 25 countries. Increasing the ability of individuals to understand and manage their health will enhance their personal health as well as positively impact public health. Helping people work toward and maintain good health is one of the best ways to rein in rising health care costs.

Company wellness and prevention programs also play a critical role in achieving this goal. 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.

### Employee Health and Well-Being

At Johnson & Johnson, we realize the importance of good health. Not only because we value our employees' welfare, but

because having healthy employees means a happier, more engaged, productive (and sustainable) workforce. By investing in employee health we are clearly demonstrating the commitment we have toward our employees, their families and their communities. For this reason, we feel that it is a critical imperative to promote a Culture of Health throughout the company.

### What is a Culture of Health?

A *culture of health* is about incorporating health into the way we operate, think and act. Key elements of a Culture of Health include:

- Demonstrating leadership and commitment via advocacy for healthy workplaces, and by talking the talk and walking the walk;
- Actively communicating and promoting health as an important Credo value and business imperative;
- Implementing and resourcing innovative health programs that support a holistic approach to physical, mental and spiritual well-being both inside and outside the workplace;
- Ensuring the physical work environment and site services support and encourage safe and healthy choices;
- Adopting appropriate policies and procedures that support a safe and healthy working environment;
- Measuring and tracking performance against health goals;
- Providing tools to help people identify personal health risks over which they have control.

Johnson & Johnson works to improve and sustain employees' health by providing Culture of Health\* programs that are customized according to location, culture and specific health needs, while providing the core essential elements across all locations in order to create a culture of health worldwide. The goal is that all employees will eventually have access to the full complement of these 12 programs. And we are making progress toward this goal: By the end of 2011, nine of the 12 Culture of Health programs had been fully deployed to more than 80 percent of the employee population worldwide.

### Culture of Health Program Provision and Innovation

Creating a Culture of Health entails cultivating an environment that supports health choices and providing innovative initiatives to help drive and sustain these choices. For example, in 2011, 90 percent of all employees had access to either an onsite fitness facility or reimbursement funds toward exercise (for those who work remotely); 97 percent of all campuses were tobacco-free, and 88 percent of sites that had onsite cafeterias had incorporated healthy eating principles into the food preparation and offerings. Embracing and integrating the principles of the [Human Performance Corporate Athlete](#)

\* As measured by full-site implementation of 12 programs (tobacco-free, HIV policy, health profile, employee assistance, exercise, medical surveillance, health promotion, stress management, cancer awareness, healthy eating, return-to-work, travel health)



**HEALTHIEST, MOST ENGAGED WORKFORCE:** An initiative called One Health aims to increase engagement and offer access to more health programs—like this hike along an 8 kilometer stretch of the ancient Great Wall of China—for employees in China and India.

Program<sup>®</sup>, we have created an innovative initiative that aims to increase the level of engagement for all Johnson & Johnson employees in their work and at home. This program, Energy for Performance in Life, provides a means to achieve optimal employee performance through an integrated solution designed to teach participants how to maximize their personal energy, feel physically energized, emotionally connected, mentally focused and more aligned with their own personal mission.

U.S. employees also have access to HealthMedia<sup>®</sup> digital coaching solutions, which assists them in changing behaviors related to a number of health risks/concerns. These online programs have proven positive outcomes. They are scalable to the entire population, yet are individualized so that each employee experiences a confidential, customized interaction specific to his or her situation.

**Employee Health Goals**

To continue to drive a Culture of Health within the organization, Johnson & Johnson has established Healthy People indicators and metrics for the past decade, and we are now setting new goals under the *Healthy Future 2015* Sustainability goals. Our progress through 2011 is detailed below.

**Lifestyle and Population Health**

For many years, we have used a voluntary health profile assessment tool in the U.S. to help employees understand their

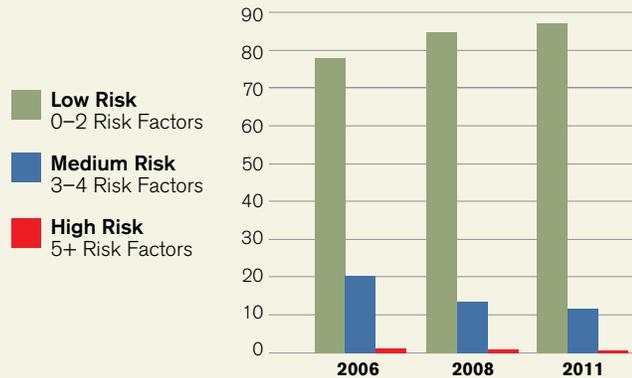
personal health risks so they can access the appropriate health programs and resources to help them be healthier, feel better and live longer. In the past few years we have also provided this assessment outside of the U.S. Currently, the Health Profile is available in 35 languages and has been deployed in 21 countries. This population data enables us to track the impact our health programs have on the workforce. This year more than 28,991 U.S. and 17,333 employees outside the U.S. participated in the Health Profile. The confidential questionnaire identifies health and lifestyle risks including tobacco use, high blood pressure, high cholesterol, poor nutrition and physical inactivity. Of those U.S. participants, 37 percent stated the Health Profile helped them to uncover an unknown health issue while 70 percent said it helped them to maintain or improve a healthy lifestyle.

Analysis of aggregate U.S. employee health data revealed the top three health risks were unhealthy eating, physical inactivity, and obesity. We are addressing these health risks through a wide variety of targeted health and wellness programs. Professional Health Advisors enable employees with risk factors to receive professional guidance and help them set their action plans (in 2011, 13,000 participated in personal health advising). Programs such as the Family Activity Challenge and the Million Step Challenge are other examples of how we are addressing these risk factors. For example, the Million Step Challenge program (a pedometer program aimed at increasing movement

Healthy People 2011 Goals	Year End 2011 Results
<b>1. Create, Promote and Sustain an Organizational Culture of Health</b>	
75 percent of sites/companies worldwide will have fully implemented 10 health services offerings	97 percent of U.S. companies (outside the U.S. this is 42 percent)
<b>2. Reduce Population Health Risk Factors</b>	
> 68 percent of employees who participate in the voluntary health screening are in the “low risk” health category	87 percent of U.S. employees (outside the U.S. this is 67 percent)
<b>3. Promote a Consistent Approach to the Deployment of Occupational Health Services and Standards</b>	
Greater than 88 percent of periodic medical surveillance completed on time	All sites with planned periodic medical surveillance exams had completed >94 percent on time

Healthy Future 2015 Sustainability Goals—Employee Health	2015 TARGET	2011 TARGET	U.S. 2011 RESULTS	OUTSIDE U.S. 2011 RESULTS
1. Percent of employees with access to “Culture of Health” programs as measured by site implementation of 12 programs	90 percent	25 percent	75 percent	16 percent
2. Percent of employees who have completed a health-risk profile and know their key health indicators	80 percent	45 percent	77 percent	20 percent
3. Percent of measured population health characterized as “low risk”	80 percent	70 percent	85 percent	67 percent

**POPULATION HEALTH RISK REDUCTION, 2006–2011**  
Percentage of Employees



HEALTH RISK	
RISK FACTOR	PERCENT AT RISK
High (5+ Risk Factors)	0.8
Medium (3–4 Risk Factors)	11.7
Low (0–2 Risk Factors)	87.5

Eligible Population = 35,725; Participants = 28,991; Participation = 81.2%

Population Health Risk Factors: Unhealthy eating behavior, inactivity, obesity, total cholesterol, glucose, hypertension, tobacco use, alcohol use, safety belt usage and depression.

TOP THREE AREAS OF HEALTH RISK	
RISK FACTOR	PERCENT AT RISK
Unhealthy eating	56.6
Inactivity	20.9
Obesity	20.6

throughout the day with a yearlong goal of logging a million steps) resulted in employees reporting the following benefits: 58 percent of participants said that they had more energy, 42 percent experienced weight loss; 13 percent lowered their blood pressure, 18 percent lowered their cholesterol, and 27 percent noted an overall improvement in stress levels. Since 2005, there have been over 37,000 participants in the Million Step Challenge.

**Mental Well-Being**

From time to time, life presents personal and professional challenges that may feel overwhelming. Recognizing that

our goal is to promote good health, the Employee Assistance Program (EAP) provides free professional and confidential behavioral counseling to employees and those who share their households. Additionally, organizational coaching is offered to managers to help them promote a positive and engaging atmosphere within the workplace, and psychological assistance is provided following natural disasters and traumatic events. Special emphasis is placed on building the skills that are necessary to increase personal resilience through workshops and interactive seminars, as well as individual and family counseling. In 2011, 12 percent of Johnson & Johnson employees took advantage of these opportunities, and at least 95 percent of survey respondents said that they were very satisfied with the services and support they received through EAP.

As a result of the 2005 global expansion of EAP, 94 percent of employees and their families worldwide currently have access to local EAP services in more than 150 locations around the world. And more than 300 critical interventions were conducted for employees who experienced natural disasters, such as floods or earthquakes, or man-made traumas related to violence, terrorism or untimely death.

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**Workplace Health Protection**

Johnson & Johnson Occupational Health Programs directly influence the health of the global workforce and its ability to work safely and effectively. Ensuring compliance with the Johnson & Johnson EHS Standards, as well as local laws and regulations, is the foundation of our Occupational Health programs. The primary goal is to prevent and protect our employees from potential harm and to care for any employee with a work-related injury or illness. Through our comprehensive delivery system of integrated global health programs and services, we strive to address the full spectrum of health needs.

Onsite Occupational Health clinics provide employees immediate access to specially trained medical personnel who support employees and our businesses via case management and health related information, education and expertise. They assist operating companies maintain compliance with local/regional rules and regulations.

In 2011, onsite Occupational Health Clinics worldwide continued to enhance and provide for more value-based health programs to employees and businesses. For example, services such as biometric collections for health profiles, physical therapy, and, in the U.S., onsite nurse practitioner “convenient care” for minor personal health issues were offered. The U.S. Global Health clinics had over 50,000 visits, administered over 10,636 flu vaccines and performed 12,515 Biometric Screenings for the Health Profile.

### Globally Harmonized Health Policies

To ensure consistent policies around the world and in alignment with the longstanding commitment to our employees and to improving human health care worldwide, the Johnson & Johnson Family of Companies has developed a comprehensive set of Global Health & Wellness Policies. These include: Tobacco-Free Workplace, HIV/AIDS, Employee Assistance, Medical Surveillance and Case Management.

The Worldwide Tobacco-Free Workplace Policy prohibits the use of tobacco at Johnson & Johnson facilities. The personal health hazards related to all tobacco products have been well documented and impact both smokers and non-smokers who are exposed to second-hand smoke. Since implementation of the policy, 98 percent of Johnson & Johnson sites worldwide are tobacco-free sites.

Every year on December 1—World AIDS Day—we take time to consider the tremendous global impact of HIV/AIDS. An estimated 33 million people worldwide are living with HIV/AIDS, and more than 25 million people have died of AIDS since 1981. The worldwide Johnson & Johnson community continues to create awareness regarding HIV/AIDS in varied multiple media formats. We are making great strides in helping stricken employees to live positive and productive lives.

### Health Outcomes and Impact

When it comes to health and productivity outcomes, we have completed our third large-scale independent assessment of the program (for the period from 2002 through 2008), conducted in conjunction with Thomson Reuters and Emory University.\* Key conclusions include:

- Benchmarking against similar industry shows an average rate of growth in medical and pharmaceutical costs that is 3.7 percent lower.
- Lower increases in ER and inpatient admissions and higher increases in doctor visits and prescription drug fills compared to other large companies.
- Average annual per employee savings were \$565 in 2009 dollars, producing a return on investment equal to a range of \$1.88–\$3.92 saved for every dollar spent on the program.
- Johnson & Johnson health risk trends significantly better than U.S. and other industries.

Johnson & Johnson is a recognized leader in the field of employee health and well-being. This year, Johnson & Johnson was the winner of the Corporate Health Achievement Award

\* *The Impact of Weight Gain or Loss on Health Care Costs for Employees at the Johnson & Johnson Family of Companies.* Carls, Ginger Smith; Goetzel, Ron Z.; Henke, Rachel Mosher; Bruno, Jennifer; Isaac, Fikry; McHugh, Janice. *Journal of Occupational & Environmental Medicine.* 53(1):8-16, January 2011.

*Recent Experience in Health Promotion at Johnson & Johnson: Lower Health Spending, Strong Return on Investment.* Henke, Rachel M.; Goetzel, Ron Z.; McHugh, Janice; Isaac, Fik. *Health Affairs,* 30, no.3 (2011):490-499

(from the American College of Occupational and Environmental Medicine). This award recognizes organizations with exemplary health, safety and environmental programs. We have also been re-accredited by the CEO Gold Standard on Cancer Prevention, achieved through implementation of strategic criteria aimed at preventing and reducing cancer through workplace initiatives. Our thought leadership in health also continues to be strengthened by partnerships and collaborations with organizations such as the World Economic Forum, the Asia Pacific Economic Cooperation and the Life Science Innovation Forum.

## Anti-Counterfeiting

Counterfeiting of health care products is a serious issue, as it puts people's health and lives at risk and undermines confidence in product safety and effectiveness. It is also a growing problem around the world. Our companies work hard to identify and minimize the risk of counterfeits and ensure that patients and consumers receive genuine products of the Johnson & Johnson Family of Companies.

### Pre-Market

We use a range of product and packaging security measures that help distinguish authentic products from those that are counterfeit. We also work to minimize the risk of counterfeit products entering our supply chain, from the source of ingredients through manufacturing and distribution.

### Post-Market

In addition, we monitor markets and investigate counterfeiting activities, collaborating with regulatory and law enforcement authorities, as well as our business partners, to locate and remove counterfeits from the market, seize and destroy manufacturing equipment, and prosecute or take civil action against the perpetrators. We also work with governments and regulatory agencies to identify opportunities to strengthen laws and enforcement efforts to ensure the integrity of distribution channels.

For example, over the past several years, LifeScan, Inc. has, on occasion, become aware of counterfeit diabetes test strips being distributed in different countries at different times. The company takes seriously the potential risk to patients, acting quickly, and with law enforcement and governments where necessary, to stop illegal activities and protect patients.

LifeScan believes it ended a sophisticated, international counterfeit packaging scheme in 2008, when a number of lawsuits were initiated and court ordered seizures were obtained in the United States, Europe and Africa. Since that time, there have been no known instances of LifeScan products with counterfeit packaging in the U.S.

To date, LifeScan has brought suit against 71 defendants. A settlement in May 2011 with a South African distributor, the

alleged architect, marked the 39th injunction against those involved in the counterfeit packaging scheme. The company continues to vigorously pursue legal action against the remaining 35 defendants.

LifeScan provides detailed information regarding known counterfeit test strips online at [www.GenuineOneTouch.com](http://www.GenuineOneTouch.com).

### Driving Awareness Among Stakeholders

Raising awareness among our stakeholders of the dangers of counterfeit health care products is an important step in eliminating this illicit trade. Our Global Brand Protection Group holds summits to examine counterfeiting and product tampering activity around the world. The findings of these summits are incorporated into educational training for employees who handle and sell our products.

## Workplace Health and Safety

Our employees work in many different settings, including manufacturing facilities, warehouses, research and development centers, laboratories, offices and vehicles. For each, we design and routinely enhance safety programs, regularly monitor our performance, and take corrective action when improvements are needed. We require compliance with all applicable laws and regulations, as well as with the Johnson & Johnson EHS Standards. The Standards cover EHS management systems, chemical substances management, emergency preparedness and response, contractor management, noise and hearing conservation, biosafety, radiation safety, employee well-being, occupational health, fall prevention, fire and explosion prevention, process safety management, machinery and equipment safety, ergonomics, control of permit required work and non-routine activities, fleet safety, and safety in warehouses, storage areas and offices. All Johnson & Johnson production and R&D sites are required to comply with the full complement of these standards. Streamlined versions have been developed for offices and warehouses, which extract the critical elements of the full standard for application in these settings; there is a grace period for complete compliance for those organizations that come into the company through mergers and acquisitions.

Our EHS audit program includes internal, third-party and annual regulatory compliance audits at our manufacturing and R&D facilities. We also conduct periodic audits of key suppliers and external manufacturers. At the end of 2011, 30 percent of manufacturing and R&D facilities (27 sites) received third-party certification to the standards of the Occupational Health and Safety Assessment Series management system (OHSAS 18001).

Where local collective bargaining agreements exist, health and safety topics are typically incorporated into the agreements.

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. Enterprise-wide safety performance is discussed with the Corporate Compliance Committee and the Science & Technology Advisory Committee of the Board of Directors. A formal report of safety performance is provided annually to the full Board of Directors.

Additionally, all of our operating company manufacturing and research and development locations have formal joint management-worker health and safety committees. Our sales force is represented in health and safety committees through our SAFE Fleet program. In addition, one third of those working in office settings are represented in health and safety committees through our Office EHS program. In total, 90 percent of our total workforce is represented in formal joint management-worker health and safety committees, and more than 95 percent is covered by collective bargaining agreements that include requirements for working conditions. More information on Johnson & Johnson's commitment to Health and Safety can be found at the following global websites: [http://www.jnj.com/responsibility/ESG/Social/Workplace\\_Safety](http://www.jnj.com/responsibility/ESG/Social/Workplace_Safety) and [http://www.jnj.com/responsibility/ESG/Social/Our\\_Employees/Health\\_and\\_Wellness/](http://www.jnj.com/responsibility/ESG/Social/Our_Employees/Health_and_Wellness/)

We measure our performance and progress in a number of ways, monitor the trends and adjust our programs to target areas in need of improvement. In 2011, we continued to expand our use of reviews referred to as "keyhole assessments." Keyhole assessments are narrower and more targeted than traditional assessments, are focused in-depth on a smaller number of topics and are done in instances where a deeper look enhances our ability to control EHS risk. We continue to use this tool to evaluate our safety performance, and going forward, we plan to use it to examine key environmental performance areas.

Our *Healthy Future 2015* goal is to achieve a 15 percent improvement in employee safety performance enterprise-wide, as measured by our Lost Workday Case (LWDC) rate; this translates into a LWDC rate target of <0.09.

In 2011, our LWDC rate was 0.11, the same as our 2010 baseline rate. The top three contributors to these incidents are ergonomic injuries at 30 percent, slips/trips/falls at 22 percent, and vehicle-related incidents at 20 percent. Our Serious Injury and Illness Case (SIIC) rate was 0.028, down from 0.037 last year and our lowest rate since 2007. Minor first aid injuries are not included in these numbers. No fatalities occurred in 2011. In 2011, we experienced nine health and safety non-compliances, up from three in 2010, and paid fines of \$7,311 for two safety violations, one that occurred in 2009 and one that occurred in 2010.

We track our Lost Workday Case (LWDC) and Total Recordable

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LA7

Injury Rate (TRIR) frequency at an enterprise and regional level, as illustrated in the table below, per our Injury and Illness Recordkeeping and Reporting Guidelines. We do not track absenteeism at an enterprise level.

LOST WORKDAY CASE RATE AND TOTAL RECORDABLE INJURY RATE		
REGION	LOST WORKDAY CASE RATE*	TOTAL RECORDABLE INJURY RATE
Asia-Pacific	0.08	0.24
Europe, Middle East and Africa	0.12	0.49
Latin America	0.07	0.66
North America	0.12	0.87
<b>Worldwide</b>	<b>0.11</b>	<b>0.62</b>

\* Calculated based on calendar days

In 2011, we updated ERGO, our enterprise-wide process for control of ergonomic risk. All materials are now web-based and available electronically. We also updated Learning to Look, the enterprise-wide tool for incident investigation. This tool is used for all LWDCs and SIICs, and often for near misses, to assure a thorough identification and evaluation of root causes of the incident.

To address the fact that 68 percent of our SIICs are fractures, and 65 percent of these are due to slips, trips and falls (STF), we created a Fall Prevention task force in 2011. Its mission is to recommend an enterprise-wide approach to reducing the incidence and severity of injuries due to slips, trips and falls. A recommendation is forthcoming and will be presented to the EHS Leadership Council in 2012.

Johnson & Johnson continues to compare our safety results to two industry benchmarks: Mercer/ORC Networks and the Pharmaceutical Safety Group (PSG). Both are based on amalgamated data from companies included in the pharmaceutical sector; Mercer/ORC Networks data include companies from a broad cross section of the global economy (54 at the time this was written), and PSG is based exclusively on 14 companies in the pharmaceutical sector. In this way, we compare ourselves to our peers and companies outside of our sector. We are in the process of conducting another benchmarking exercise with these groups.

**Contractors**

Johnson & Johnson maintains a comprehensive occupational safety program that includes systems to protect contractors working at Johnson & Johnson facilities. We have established a *Healthy Future 2015* goal to achieve a 15 percent improvement in contractor safety performance with a LWDC rate target of ≤ 0.12. This goal will be measured at all Johnson & Johnson

manufacturing and R&D facilities. In 2011, our overall contractor safety performance remained flat, with an LWDC rate of 0.14. No contractor fatalities occurred in 2011. The Total Recordable Injury rate (TRIR) for independent contractors working onsite was 0.62 in 2011.

We continue to stress the importance of the elements of the Contractor Safety Standard issued in 2009, specifically the Contractor Selection Process, the Task-Specific Analysis of Aspects/Hazards and Impacts/Risks, the Orientations and Inductions, the Practical Organization, Communication and Evaluation of Contractors' Work and the Contractor Management Program Review. We have not had a contractor fatality since 2007, and we attribute this success to the additional rigor required by the new Contractor Safety Standard.

We are beginning to leverage the Campus Model to share best practices across facilities in a common geography. This harmonization and standardization effort, which is being implemented in a number of locations worldwide, should improve both the efficiency and the effectiveness of the contractor safety approach. In the U.S., we are also using ISNetwork, a contractor evaluation service, to improve our contractor selection process.

**Fleet Safety**

For many of our employees, the company vehicle is their workplace, and some spend up to 60 percent of their time driving on company business. Since 1995, our crashes per million miles driven (CPMM) rate has decreased by 32 percent, although we did experience an increase in our CPMM from 5.53 in 2010 to 5.94 in 2011. Worldwide, the total number of crashes in 2011 increased by 7 percent over 2010. Our Injuries per Million Miles (IPMM) rate was 0.11 vs. our goal of <0.20. Regional differences in performance also exist, with our Asia Pacific region reducing their CPMM over last year, our EMEA and Latin American regions increasing their rates, and our North America region experiencing a slight drop in its rate. Going forward, we have set a *Healthy Future 2015* goal to achieve a 15 percent improvement to a target rate of 4.7 CPMM in fleet safety performance worldwide.

The increase in our overall crash rate concerns us, so we are working to understand and address possible causes. Following a strategic review of our goals and performance with Executive management, three imperatives were identified: demonstrating responsibility to our employees and communities, taking ownership for our SAFE Fleet results, and Awareness, as well as taking every opportunity to reinforce safety both on and off the job. A series of meetings with our SAFE Fleet Champions and leaders has led to increased communications from top management to our teams and drivers, reemphasizing the importance of safe driving. Going forward, we are enhancing our performance tracking metrics and reinforcing accountability.

In the United States, we have launched a new crash prevention system. Phase 1, launched in late 2011, included a driver pledge, policy review and completion of a quiz testing the driver's

knowledge of our fleet safety standards. Phase 2 will take place in early 2012 and is comprised of a risk assessment of driver knowledge, attitudes and hazard recognition skills. Phase 3, which will be launched later in the year, will provide managers with tools to more effectively address driver risks.

## Labor Relations and Practices

The Johnson & Johnson Family of Companies has exceptionally productive and creative workforces. Our employees are our most valuable asset and have helped establish the Johnson & Johnson Family of Companies as a leader in the health care industry.

We are committed to respecting human rights as embodied in the [Universal Declaration of Human Rights](#) and its two corresponding covenants, [The International Covenant on Civil and Political Rights](#) and [The International Covenant on Economic, Social, and Cultural Rights](#). In addition to the universal statements of human rights noted above, we follow the principles in the [International Labor Organization's Declaration on Fundamental Principles and Rights at Work](#), including non-discrimination, freedom of association and collective bargaining, and freedom from forced and child labor.

In keeping with these and other internationally recognized expectations for business ethics, product quality, labor and employment, health and safety and the environment, and to ensure that each Johnson & Johnson operating unit throughout the world follows consistent principles relative to Labor and Employment practices, a set of global guidelines has been established. Our Global Labor and Employment Guidelines ([http://www.jnj.com/responsibility/ESG/Social/Our\\_Employees/Labor\\_Practices](http://www.jnj.com/responsibility/ESG/Social/Our_Employees/Labor_Practices)) require, first, that our policies and actions are in full compliance with the laws and regulations of the respective countries in which we operate. They then address: communication; freedom of association and collective bargaining; prohibition of forced labor, child labor and discrimination; and appropriate methods of discipline. These guidelines and other related policies can be found online at [http://www.jnj.com/responsibility/ESG/Social/Our\\_Employees/Labor\\_Practices](http://www.jnj.com/responsibility/ESG/Social/Our_Employees/Labor_Practices).

In addition, Johnson & Johnson companies have supporting policies that work to assure our employees are treated fairly and equitably, including our Equal Employment Opportunity Policy (includes our Harassment Policy and our Open Door Philosophy), and our Policy on the Employment of Young Persons. Our Standards for Responsible Suppliers require external partners, including external manufacturers, to have appropriate policies for the treatment of their employees.

Several global functions support and share responsibility for various aspects of labor practices. Global Diversity & Inclusion reports to the Chairman and Board of Directors through its

Vice President and Chief Diversity Officer. The Worldwide Vice President of Human Resources, a Corporate Officer and member of the Executive Committee, is responsible to the Chairman and Board of Directors. Human Resources responsibilities include: Global Talent Management, Global Benefits and Health Resources, and Worldwide Compensation Resources. The Supply Chain Vice President of Human Resources for Johnson & Johnson is responsible for the oversight and/or implementation of the policy of labor relations. Employee representatives are included in the formalization of labor relations policy in certain regions of the world, such as Europe, Middle East and Africa (EMEA).

### Workforce Statistics

Johnson & Johnson companies have approximately 117,000 employees working in more than 250 operating companies located in 60 countries. At this point, due to the complex nature of the Company's various employee databases and payroll systems, and differences in how employees are compensated in different countries, the Company is not able to calculate the total workforce breakdown by employees and supervised workers, employment contract, employment type and region, nor are we able to report on turnover on an enterprise-wide basis. We are implementing a new employee data management system that will allow us to capture and report this information in a consistent way across the corporation. Data that are available are presented below and in the Data Summary table at the end of this report. Employee diversity data are U.S. based only.

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In 2011, key workforce statistics were as follows:

- Board of Directors: three women, nine men (23 percent female)
- Board of Directors: Ethnic Minorities: three (25 percent)
- Employees: 47.2 percent women, 52.8 percent men
- Management positions held by women: 45.7 percent

### Freedom of Association

Johnson & Johnson completes labor and employee relations assessments and audits through local Human Resources and our Global Employee & Labor Relations Function. Currently, six regional leaders are assigned to various countries/regions throughout the world. These leaders interact with employees, trade unions and other employee representatives (works councils), and government officials. They have broad oversight and responsibility for monitoring compliance and maintaining relationships with labor unions and works councils.

### Collective Bargaining

The Company is currently assessing the status of employee representation structures throughout the world. Since employee representation structures vary throughout the world, Johnson & Johnson is assessing the status of sites with employee representation by region. The regions are: North America (NA), Latin America (LATAM), Asia/Pacific

LA4

(ASIAPAC), and Europe/Middle East/Africa (EMEA). In the EMEA Region, up to 100 percent of Company sites have the ability to establish an employee representation structure or framework. Where employees choose to establish these structures, management provides support. However, employees at some of the Company's sites have chosen not to establish these employee representation structures. In the Latin American Region, approximately 55 percent of employees have employee representation structures in place. In the North American Region less than 10 percent of employees have employee representation structures in place. We do not currently have information for the Asia/Pacific Region.

Working conditions at Johnson & Johnson operating companies have been collectively bargained in many different ways throughout the world. Subjects covered by collective bargaining agreements with trade unions over the past year include, but are not limited to: wages, hours of work, terms and conditions of employment, work rules, health and safety, grievance processes, organization structures, holidays, vacation, training, active and retired employee benefits, drug testing, seniority, travel expenses, leaves of absence, shift premium pay, overtime pay, overtime administration, bonuses, rest periods, job bidding procedures, severance pay, equal employment opportunity, union dues payments, trade union representation, restructurings/reorganizations, layoffs and recalls. We estimate that greater than 95 percent of employees of Johnson & Johnson companies covered by collective agreements have working conditions included in their agreements.

LA5

### Minimum Notice Periods

Johnson & Johnson is a highly decentralized corporation comprised of many distinct and relatively autonomous operating units around the world. We do not have a formal enterprise-wide policy mandating a minimum notice period regarding significant operational changes. However, local operating unit leaders endeavor to communicate significant plans of operational changes to employees and their representatives, where they are present, in a timely and practical manner in advance of actions being taken. Feedback and suggestions from employees and their representatives, where they are present, are always taken into consideration before any final decisions are made. In regions/countries where involvement of employees' representatives in decision-making processes is legally required, we have established rigorous formal consultation processes to ensure compliance. Where minimum notice periods for layoffs are required by local law or incorporated into collective bargaining agreements, the operating units are always in compliance. For example, in the United States, where a minimum of 150 employees or one-third of a unit's workforce is scheduled for layoff, the WARN Act requires that the affected employees, their representatives (where present) and local government officials be provided 60-days notice. If employees are negatively impacted by any changes, we have measures in place to help and support them appropriately. Where there is no legal minimum notice period, Johnson & Johnson companies attempt to provide notice at the earliest possible time, often ranging from 30 days to 180 days.

### Skill and Talent Management and Training

The Johnson & Johnson Family of Companies has a talent mindset that every leader across the enterprise believes that our people are a competitive advantage and takes full ownership for talent management. Human Resource Leaders and Business Leaders jointly own talent management on behalf of the enterprise. Our leaders are accountable for attracting and recruiting talent, managing performance and development, building a pipeline of global and diverse leaders, and creating an environment that embraces diversity and inclusion. Our employees are active participants in their development. Employees are given the opportunity to develop and grow, have the tools and resources needed to do so, and are empowered to navigate their own career development. Employees are accountable for knowing what is expected from them in terms of performance and development. This talent philosophy ensures a robust and diverse pipeline of leaders globally, high performing and highly engaged employees and culture, and business continuity and growth.

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Johnson & Johnson introduced a new leadership model in 2012. The Leadership Imperatives enable our enterprise strategy by clearly articulating a consistent set of expectations. They are intended to foster a common language and ignite the organization around a common purpose of accelerating the pace of innovation and growth. When the rollout is complete, the Leadership Imperatives will apply to everyone—across all geographies, businesses, roles and levels—giving us all a clear and consistent way to lead the Johnson & Johnson Family of Companies into the next 125 years. The Leadership Imperatives—Connect, Shape, Lead, Deliver—are rooted in Our Credo and shaped by our enterprise strategy. They more clearly reflect the leadership requirements needed to extend our trajectory of success. They will enable us to continue to win in the dynamic external environments in which we work. As the new driving force for our talent agenda, not only will the Leadership Imperatives give us a common language, they will inform and guide us on how we assess, select, develop and reward our leaders.

Development is an interconnected series of experiences that strengthen our workforce and advance our organization. We provide enterprise-wide training that is business-aligned, affordable and accessible to all leaders and employees within Johnson & Johnson companies globally. The training is 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. 100 percent of part-time employees have access to training and employee development. Temporary workers do not participate in Johnson & Johnson learning or leadership development offerings. Training is provided, tracked and documented by the operating companies.

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Employees receive an average of eight hours or more of training per year, although many receive much more. For leaders within the Johnson & Johnson Family of Companies, senior management, high potential employees (below VP) and other critical positions receive six to seven days of education per year; middle management and front line management receive four to five days of education a year; and VPs and above receive 8–19

LA10

days of education, per year. At this time, training records are maintained at a local or operational level; therefore, we cannot report this information on a global level for all employees. Transition assistance programs offered to support employees who are retiring or who have been terminated from employment comply with the regulatory or collective bargaining agreement requirements, with many locations providing more than those required. Offerings may include pre-retirement planning for intended retirees, retraining for those intending to continue

LA11

working, severance pay, job placement services, and assistance (e.g., training, counseling) on transitioning to a non-working life.

### Talent Attraction and Retention

The opportunities for development and career advancement are strong components of Global Talent Management. Our recruiting organization continues to implement recruiting models in countries around the world, to focus on university recruiting, to invest in social media, and to implement U.S. diversity recruiting strategy. The Global Job Posting program promotes our commitment to the advancement and development of our employees, and helps to create a strong foundation for ongoing development discussions between employees and managers. The Total Rewards program includes compensation, benefits and health resources services across the Johnson & Johnson Family of Companies. To ensure positive employee experiences, we offer competitive compensation programs as well as cost-effective and country-focused services related to health and wellness, pension, disability and leave of absence. These offerings meet the needs of our diverse workforces and align with the values of Our Credo.

Learning programs available to all employees globally include leadership development through independent study, eLearning, interviewing, assessment, intensive workshops and action planning. Our School of Personal and Professional Development and e-University are available online to all employees and provide online resources such as eLearning, online book and video library, simulations, (multiple languages) and online English Language training, as well as classroom courses offered in each region. Training is provided, tracked and documented by the operating companies.

Programs are accessible in every region and in some cases, in several languages. These programs are open to all employees and designed to meet the different stages of leadership growth. Programs are part of an integrated global curriculum and establish a global standard of leadership development experience available throughout each employee's career.

The Johnson & Johnson Family of Companies provides a portfolio of leadership development offerings that include training and leadership development programs. The learning strategy provides opportunities in foundational, advanced and continuing development for the Individual Contributor, First Line Leader, Leader of Leader and Business Unit Leader. Core Programs are available to support transitioning into new roles, as well as advanced development within roles through six-month development programs, instructor-led courses, eLearning and online resources, developing skills to meet current and future business and leadership capabilities. In addition to these open enrollment programs, functional leadership teams design and provide for development at significant levels from entry to senior leadership.

### Multiple Pathways for Career Advancement

Johnson & Johnson provides many opportunities for individual employee career growth and development. To this end, affiliate companies and their management may have programs and practices that will provide employees with a reasonable level of opportunity for career advancement. Local laws, contractual obligations and competitive conditions will govern policy administration.

### Leadership Development

We invest in talent development, and use an enterprise leadership development strategy (talent pools) with differentiated offerings by target audience to support this effort. Succession Planning is a key process that enables us to review the health of our talent pipeline and establish plans to address critical gaps. It also identifies development plans for leaders, including nominations to our Accelerated Leadership Development Processes.

Accelerated Leadership Development Processes provide leadership learning that targets specific capabilities required for future Target Jobs. Participants are identified through Succession Planning, nominated by senior leadership and tracked for future career development (e.g., retention rate, promotion rate, next developmental move). Based on the enterprise business strategy, the emphasis over the past few years has been developing the General Manager and R&D Leader pipelines and accelerating readiness of individuals for key leadership positions. In these targeted areas, we have a continuum of Accelerated Leadership Development processes from senior leaders (Company Group Chairs) to emerging leaders (Senior Managers/Directors). Future focused, Business Unit Leader and R&D Leader specific competency models and the Leadership Imperatives provide the framework for development. Executive Committee members and many senior executives are personally committed and devote much of their time to lead dialogues with participants, sponsor action learning teams and coach participants of these programs. Participants numbered approximately 700 by year-end 2011. With an average of seven direct reports and one manager, the impact of our GM Accelerated Leadership Development program is felt by more than 56,000 employees.



**WHAT CONSUMERS WANT:** A better understanding of emerging market consumers, like Heleneide Pereira de Brito, helps our Consumer business satisfy needs in Brazil. Rather than relying on a one-size-fits-all approach, Johnson & Johnson's decentralized operating model empowers operating companies to connect with local customers and leverage local insights to meet health care needs.

Johnson & Johnson also administers a Global Credo Survey every two years to ensure our behaviors represent our beliefs. This survey is our collective opportunity to ensure everyone across our companies is inspired by the goals we set both personally and for the future of our business; that we feel connected with our colleagues and the values we hold ourselves to; and that we remain committed to taking the steps necessary to meet the needs of our patients, customers and communities we serve. We typically have a global participation rate higher than 90 percent. The responses are anonymous, but the results are provided to companies, regions and departments to review for any opportunities for improvement. Focused efforts on making change, where appropriate, is important and has an impact on retention.

### Performance Management

The Johnson & Johnson Family of Companies is on a journey to refine our performance management and development approach (P&D). The hallmark of the new P&D approach is the focus on conversations—frequent and meaningful formal and informal conversations that fuel a culture of high performance. Each employee and manager is expected to engage in clear and candid dialogue throughout the year within the “5 Conversations Framework,” which consists of the Performance Planning, Mid-year, Succession Planning, and Year-end and Compensation conversations. These meaningful, ongoing conversations should reinforce each other and ultimately result in clarity of expectations, alignment across the organization and an appreciation of employee contributions.

The new P&D approach consists of two dimensions—Results and Leadership. The first dimension, Results, is based on Management by Objectives framework for aligning employees' goals and actions with the goals of their company. The second dimension, Leadership, is based on a newly developed enterprise-wide leadership model—the Leadership Imperatives. The Leadership Imperatives—Connect, Shape, Lead and Deliver—and Our Credo, represent the key behaviors that are critical to the future success of the Johnson & Johnson enterprise. These two components—Results and Leadership—provide the basis for annual performance evaluation of all employees. The evaluation on each dimension will be based on a four point rating scale with a strong link between performance and pay.

The transition to the new P&D approach is phased by level globally. The transition began with 1,200 senior company leaders in 2012. The transition will continue with 26,000 Directors and Managers in 2013, followed by the rest in 2014.

To ensure an effective transition to the new P&D approach, the Corporate P&D team is offering training to managers on mechanics (e.g., stakeholder feedback, assessment, performance calibration) and dynamics of the new approach (e.g., clear, candid and actionable conversations). Training will help managers master the new P&D approach and develop coaching and feedback skills to enable meaningful, ongoing conversations that engage and inspire our employees. To measure the

effectiveness of the new P&D approach, key performance indicators (KPI) have been developed. The KPIs are designed around four pillars that measure clarity and alignment, leadership accountability, transparency and fairness, and employee growth and development.

### Grievance Resolution

Johnson & Johnson maintains a variety of mechanisms for collecting and addressing employee grievances and complaints to ensure that workers can raise their concerns in confidentiality. These mechanisms include an employee hotline through which employees can confidentially raise their questions and concerns. The Company also has an Open Door policy; employees are encouraged to air their grievances to any manager, regardless of level, within the Company and those grievances will be addressed.

In addition, the Common Ground program in the U.S. is a three step process (Open Door, Facilitation and Mediation) through which employees are afforded the ability to have their grievances and complaints confidentially aired and addressed. The Program has been recognized both internally and externally as a leading resource in encouraging employees to raise and resolve disputes. The Company also maintains a non-retaliation policy.

### Optimizing Work, Family and Personal Life

Our comprehensive programs and services for employees reflect a holistic view of work, family and personal life to help support individual effectiveness at work and at home. Specific programs, including those for flexible work arrangements, education, adoption, child care and elder care may vary around the world based on local circumstances and business needs. In all cases, however, they reflect our fundamental goal of helping employees live well, work well and be well.

Examples of programs that may be offered within our companies include:

- **Employee Assistance and Work/Life Resource & Referral Services**, to help employees address personal issues and achieve a balance between their work and personal lives;
- **Proactive Health Assessments & Health Counseling**, to help employees assess their risk for certain health problems through counseling with a registered nurse;
- **Workplace Health Programs**, to help ensure the health and safety of employees through onsite, online, self-paced and group programs;
- **Wellness and Fitness Services**, to address employees' health and wellness needs; some companies offer onsite fitness centers, personal training and exercise classes.

## Benefits

Johnson & Johnson offers a comprehensive and competitive benefits program to attract and retain talented employees. In the U.S., the Choices Benefits Program is designed to meet the needs of employees and their families by providing a wide range of health, survivor, disability and retirement options. Choices

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Benefits are provided to active salaried and non-union hourly employees, as well as regular and casual part-time employees who are scheduled to work 19 or more hours per week each year. The Choices Benefits Program lets employees create a personalized benefit package for themselves and their eligible dependents. Benefits include:

- Medical
- Dental
- Vision
- Tobacco Cessation
- HealthAccount (Flexible Spending Account)
- CareAccount (Flexible Spending Account)
- Life Insurance
- Accident Insurance
- Disability Coverage
- Long-Term Care Insurance
- Group Legal Insurance
- Auto and Home Insurance
- Commuter Benefits Program

The Company provides a basic level of life insurance and business travel accident coverage for eligible employees at no cost. In addition to Choices benefits, the Company provides a non-contributory pension plan and offers employees the opportunity to participate in a savings plan with a company match. Employees may also be eligible for retiree medical coverage and company-provided retiree term life insurance.

Plan provisions may differ for certain part-time employees and by country. Benefits are provided to union employees through collective bargaining agreements. Additional information is available in Note 10 of our 2011 Annual Report.

As the largest health care company in the world, enhancing the health and wellness of our employees is a logical extension of our corporate mission. It is our belief that promoting employee health and wellness makes good business sense by increasing productivity and engagement, while decreasing health care costs and providing personal benefits to our workforce.

Our Healthy People program provides Employee Assistance, Occupational Health and Wellness and Health Promotion services, all of which have expanded globally since 2005. Additionally, we now offer a full suite of online resources through HEALTH MEDIA™ and a unique approach to increasing physical and emotional capacity through the HUMAN PERFORMANCE INSTITUTE™ and its CORPORATE ATHLETE™ Energy Management principles.

Johnson & Johnson provides a range of benefits to employees

impacted by reorganizations. The benefits can include severance payments, access to outplacement support, as well as Employee Assistance programs. The benefits employees receive will depend on a number of factors, including local practices, size and scale of the restructuring, etc., and also if the employees are represented by a third party with whom we would negotiate such benefits.

## Diversity and Inclusion

Diversity and inclusion is a central part of our culture across the Johnson & Johnson Family of Companies. A workforce diverse in, among others things, age, race, gender, nationality, sexual orientation, physical ability, thinking style and background enriches our work environments and helps to ensure our long term success. We seek diversity within our own workforce, in the collaborations and partnerships that we forge, and in our supply chains.

Our Global Office of Diversity and Inclusion, which includes our Equal Opportunity and Work/Life practices, supports the efforts of our businesses to attract, retain and develop diverse workforces. The leader of this office reports directly to the Chief Executive Officer. The Global Office is guided by our Global Diversity and Inclusion Vision. The Johnson & Johnson Diversity University, a dynamic, online resource designed to help employees understand and value differences and the benefits of working collaboratively to meet our Credo commitments and business goals, supports these efforts.

As part of our continuing commitment to Diversity and Inclusion, our equal employment opportunity and affirmative action program policies, and the spirit in which we embrace them, are a reflection of the law, but they also embody the philosophy of the Johnson & Johnson Credo. Johnson & Johnson companies within the U.S. strictly prohibit unlawful discrimination against any employee or applicant for employment because of the individual's race, color, religion, sex (including pregnancy, childbirth or related medical conditions), sexual orientation, gender identity or expression, national origin, age, disability (physical or mental), genetic information, veteran's status, military service, marital status or any other characteristic protected by applicable federal, state or local law requiring equal employment opportunity. This policy applies to all employment decisions, including but not limited to those involving recruitment, hiring, promotion, training, compensation, benefits, transfer, discipline, demotions, suspensions, discharge, recall from layoff, re-employment, education, tuition assistance, and Company-sponsored social and recreational activities. Johnson & Johnson companies outside the U.S. also have policies prohibiting discrimination in employment, subject to local laws.

All U.S. locations of Johnson & Johnson companies have a Human Resources leader designated to monitor and audit equal employment opportunity and affirmative action compliance. Outside of the U.S., we have employee relations roles that report regionally. This is necessary because this area is

highly influenced by country laws and location and company operations.

Employees have access to a confidential reporting system in case of discrimination, which is communicated through numerous Johnson & Johnson Global Policies, including: Business Conduct Policy; The Equal Employment Opportunity Policy (which includes the Harassment Policy); Common Ground; Credo Hotline; Diversity & Inclusion Vision Statement; Diversity & Inclusion Policy; Human Rights Position Statement; Global Labor and Employment Guidelines; Policy on Employment of Young Persons; and the Guide for Resolving Employee Disagreements. A variety of equal employment opportunity, diversity and inclusion, and non-discrimination training is also provided.

### Affinity groups

Employee Resource Groups (ERGs) at Johnson & Johnson companies have partnered with the Office of Diversity & Inclusion in creating an open forum to exchange ideas and to strengthen the linkage to and within diverse communities. ERGs, formerly known as Affinity Groups, engage over 10,500 employees across 156 U.S. chapters and 84 non-U.S. chapters. Throughout 2010 and 2011, the ERGs came together to increase their impact on our businesses, communities and their respective members.

Specifically, ERGs have supported core business imperatives within Johnson & Johnson business units as well as on an enterprise level. For instance, ERGs worked with the Johnson & Johnson Supplier Diversity group in support of Company efforts to become the first health care company to be inducted into the Billion Dollar Roundtable—an elite group of corporations that have achieved spending of at least \$1 billion with diverse suppliers.

ERGs have also served as a business resource in attending national recruiting events for diverse talent and in providing leadership development opportunities to employees. They also help inform decisions around critical business needs that promote inclusiveness at Johnson & Johnson companies.

## Stakeholder Engagement

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Stakeholder engagement at Johnson & Johnson is a constant, ongoing activity, occurring at all levels of our organization. Consideration is given to the following:

- The reasons we should engage with this stakeholder group.
- The possible alignments of our goals and values with that of the stakeholder group.
- Our ability to improve health conditions as a result of this engagement.
- Our ability to improve social, environmental or other conditions as a result of this engagement.
- The opportunity that we and the stakeholder group have to learn from one another.
- The identity, including the composition and values, of the stakeholder group.
- The potential for the stakeholder group to have a positive impact on Johnson & Johnson, other stakeholder groups, our customers and the public at large.
- Our ability to effectively participate in the engagement.

Including enterprise, business unit, product specific and site level activities, stakeholder engagements are taking place at potentially all of our locations of operation. These engagements inform our business decisions and help us to set priorities that guide our business into the future. They also help us to understand how our stakeholders think we can assist in addressing emerging societal needs.

Interactions with stakeholders may begin through outreach by Johnson & Johnson to select groups with particular areas of interest or expertise. We may also interact with stakeholders who use our products, have interest in a particular aspect of our operations or reside in a particular location. Likewise, our stakeholders may contact us through our facility locations, our business units, our website or an individual employee. Interactions may take the form of dialogue, surveys, focus groups, community engagement and outreach efforts, advisory panels, written communications, information sent via email or to our websites, arranged meetings, open houses and/or a variety of other methods (see table on the following page). Each of our businesses maintains a website with contact information, accessible from our [corporate website](#). In addition, we seek to engage stakeholders through our corporate blogs, [JNJBTW](#) (By the Way) and the [Kilmer House](#) blog. The table on the following pages summarizes who we engage with and how, and at a macro level, their areas of interest.

OUR MATERIAL ISSUES

Stakeholder Groups	General Group description	Methods of Engagement (Including, but not limited to)	Topics of Interest (Including, but not limited to)
<b>Patients and others who use our products and services</b>	People worldwide, in developed and developing countries	Product packaging, labeling and package inserts, customer call centers, websites, clinical trials, email and conventional mail, market research, brochures, product labeling and inserts	Product safety, proper product use, materials in our products, product development, access to products and medicines, clinical trials
<b>Doctors/nurses/hospitals/health care providers</b>	Health care providers that offer services using our products	Sales representatives, CME liaisons, education initiatives, clinical researchers, advisory boards, support and education programs for caregivers, email and conventional mail	
<b>Communities</b>	The communities in which we live and work	Interactions with civic organizations, business groups, schools, community action panels, open houses, facility transparency pages posted to our Responsibility website, community liaison, annual report	Environmental issues, expansions or closures, employment, transportation, safety and health issues, emergency planning, local community issues, volunteer efforts, product manufacturing issues, raw materials used
<b>Employees</b>	Persons working for Johnson & Johnson in over 60 countries worldwide	Credo survey, Intranet, newsletters, Company webcasts, Town Hall meetings, Company meetings, quarterly business updates, training sessions, employee surveys, work councils and union interactions	Company operations, business performance, employee satisfaction, employee safety, diversity, compensation, business updates, other issues of interest or concern to employees
<b>External manufacturers, contractors, suppliers</b>	External manufacturing partners, contractors working at our sites, Active Pharmaceutical Ingredient manufacturers, companies supplying raw materials used to make/support the manufacturing of our products and suppliers of all other goods and services	Supplier website, workshops, trainings, contract negotiations, performance reviews, webinars, dialogue, auditing	Procurement or materials and services, compliance with Johnson & Johnson standards, contractual process, pricing
<b>Governments and regulators</b>	Country, state and local governments, legislative officials and their representatives	Government Affairs liaisons, annual report, direct contact, lobbying, political action committees	Compliance with regulations, research and development activities, innovation in health care, access to health care, on-site manufacturing processes, marketing practices and a wide range of policy engagements

Continued on next page

Stakeholder group	Examples of Activities	Results	
<b>Industry organizations</b>	Johnson & Johnson participates with a wide range of industry organizations, including PHRMA, AdvaMed, BSR, EFPIA, etc.	Participation in work groups, meetings, research efforts	Issues related to research and development of medicines, company performance, benchmarking and a wide range of shared policy issues
<b>Shareholders and the investment community</b>	Investors in our company; Fund managers, individual investors, analysts and socially responsible investment community	Annual Report, annual shareholders meeting, investor updates, press releases, quarterly results presentations, road shows, broker conferences, investor updates, site visits, dialogue, direct contact	All aspects of our operations, including financial, social, governance, economic, and environmental performance
<b>NGOs and charitable organizations</b>	World Health Organization, United Nations, Gates Foundation, Clinton Global Initiative, World Wildlife Fund and others	Direct contact, dialogue, collaborative partnerships, annual reports	Diverse partners are aligned with a strategic mission of making life-changing, long-term differences in human health
<b>Customers</b>	Organizations that offer our products, such as Target, Walmart, CVS, hospitals and doctors	Direct contact through sales and customer relationship managers and members of management as required/ appropriate	Sales and distribution, supply and demand for products, issues related to products, packaging, pricing, manufacturing processes
<b>Scientific Community</b>	Scientists, researchers, regulators	Medical and scientific meetings, training programs and facilities, collaborative research efforts, position paper development	Emerging issues and research areas, scientific progress and discoveries

Issues raised by our stakeholders are varied, ranging from concerns at a local facility level to questions about the materials or processes used to make our products, and from the positions we take on a particular issue to improving access to our medicines. One of our *Healthy Future 2015* goals is to report publicly on major stakeholder engagement activities and new collaborations. Examples of recent stakeholder engagement activities, and the issues raised, can be found in the table on the next page.

**Selected Recent Stakeholder Engagements and Collaboration Activities**

Stakeholder group	Examples of Activities	Results
<p><b>United Nations</b></p>	<p>Participate in meeting the UN Millennium Development Goals through formation of new alliances and partnerships</p>	<p>Efforts are focused on maternal and child health initiatives, as well as innovations in treatment for HIV/AIDS and TB. In addition, we:</p> <ul style="list-style-type: none"> <li>• Pledged additional support over the next four years to help eliminate transmission of HIV from infected mothers to their infants, as part of a new UN Global Plan.</li> <li>• Extended our commitment to donate mebendazole for the treatment of intestinal worms in children in the developing world through Children Without Worms for five additional years. In 2011, we more than doubled our donation from 36 million doses in 2010 to 80 million doses by the end of 2011.</li> <li>• Began Helping Babies Breathe (HBB), a program to train health workers in safe birth techniques. HBB is expected to save the lives of thousands of babies in Uganda and Malawi, and is being implemented in collaboration with Save the Children, the American Academy of Pediatrics and USAID.</li> </ul> <p>Health 4+ Partnership: Johnson &amp; Johnson became the first private sector organization to support the United Nations' Health 4+, the joint action platform established by the United Nations Children's Fund (UNICEF), the World Health Organization (WHO), the United Nations Population Fund (UNFPA), the World Bank and the Joint United Nations Program on HIV/AIDS (UNAIDS) to coordinate implementation of the UN Secretary-General's Global Strategy on Women's and Children's Health at the country level. The Company is now working to support pilot training programs for health care workers in Tanzania and Ethiopia, which will provide critical prenatal and obstetric care for mothers and newborns. First year dedicated to designing and implementing the program; measurements of progress to be provided next year.</p>
<p><b>Gates Foundation</b></p>	<p>Participate in Global Partnership to Combat Neglected Tropical Diseases</p>	<p>Janssen Research &amp; Development is working with Johnson &amp; Johnson partners to reformulate flubendazole, a proven, highly effective treatment against intestinal parasites. First year dedicated to designing and implementing the program; measurements of progress to be provided next year.</p>
<p><b>Singapore Management University, hospital staff</b></p>	<p>Provide management and operations training to senior managers from hospitals throughout Asia. Known as the Johnson &amp; Johnson Regional Hospital Management Program.</p>	<p>Annual week-long program offers 50 hospital leaders from various Asian countries advanced training in management principles and business operations. Professors from schools in Singapore and the United States lead the training sessions.</p>

*Continued on next page*

Stakeholder group	Examples of Activities	Results
<b>World Wildlife Fund</b>	Participate in various programs and initiatives that support the health of the environment and people	<p>More than 10 years ago, Johnson &amp; Johnson became an early adopter of the WWF Climate Savers program, setting a goal to achieve a 7 percent absolute reduction in CO<sub>2</sub> emissions from 1990–2010. As of 2010, Johnson &amp; Johnson surpassed the goal, achieving an absolute reduction of more than 23 percent.</p> <p>The collaboration expanded to include a philanthropic commitment to WWF's "Healthy Communities, Healthy Ecosystems" program in Africa, which links the health of the environment to the health of local people, and participation in WWF's Global Forest &amp; Trade Network, focused on reliable, sustainable sourcing of paper and wood products. Specific activities include:</p> <ul style="list-style-type: none"> <li>• In Lake Lobéké National Park, Cameroon, health scouts have been selected to cooperate with village committees responsible for managing the revenues from wildlife hunting. These funds are allocated to local communities. Health scouts have been provided with basic medical training and information linking health issues, family planning and sustainable use of natural resources.</li> <li>• Addressing unsustainable population growth and HIV/AIDS through family planning initiatives. In Lobéké, health-care huts have been constructed with basic medical equipment, while in Dzanga-Sangha, a small clinic has been erected and additional health posts have been established.</li> </ul>
<b>Employees</b>	Credo survey; Healthy Future Goal to foster the most engaged, health-conscious and safe employees in the world, as measured by exceeding the Mayflower Normand CLC Genesee Global Norm, which would place us in the 90th percentile against external benchmarks	<p>Johnson &amp; Johnson defines Employee Engagement as the deep and broad connection that employees have with a company that results in a willingness to go above and beyond what's expected to help their company succeed.</p> <p>Based on the results of the last survey in June 2010, completed with a 95 percent response rate, we have met this goal, with our Johnson &amp; Johnson Enterprise and Individual Sector results in the 90th percentile. Each operating company receives its survey results and develops an action plan to address them. Employees have many other means to voice their thoughts and opinions as well, such as Town Hall and informal meetings, various online vehicles, as well as by telephone.</p>
<b>Patients</b>	J&J patient assistance foundation	<p>Johnson &amp; Johnson Patient Assistance Foundation, Inc. is a non-profit organization that assists patients without adequate financial resources and prescription coverage in obtaining free products donated by the operating companies of Johnson &amp; Johnson. Over the past 24 months, the Foundation has assisted more than 300,000 patients and has provided more than 1.7 million units of prescription medicine. Our patient assistance specialists handle more than 400,000 telephone calls per year.</p>
<b>Patients—Access to HIV medications</b>	Global Access and Partnership Program	<p>Since 2007, we have proactively and voluntarily entered into licensing agreements with generic manufacturers to ensure sustainable access to, and supply of, our HIV medicines in areas of high HIV burden and economic vulnerability. New agreements have increased the program's geographic scope from 65 to 112 countries. New countries have been added throughout Asia, Eastern Europe and Latin America. These countries are home to 82 percent of people living with HIV worldwide.</p>

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<p><b>Patients– Research</b></p>	<p>David H. Koch Institute for Integrative Cancer Research at the Massachusetts Institute of Technology  Massachusetts General Hospital</p>	<p>Fosters oncology research and technology development in the areas of cancer diagnostics, cancer biology pre-malignancies, genetic models of disease and profiles of the tumor micro-environment.</p> <p>Develop and commercialize a next-generation circulating tumor cell (CTC) technology for capturing, counting and characterizing tumor cells found in patients' blood. It will enable CTCs to be used both by oncologists, as a diagnostic tool for personalizing patient care, and by researchers, to accelerate and improve the process of drug discovery and development.</p>
<p><b>Caregivers</b></p>	<p>Partnership with ReACT</p>	<p>ReACT is a coalition of companies dedicated to addressing the challenges faced by employee caregivers and reducing the impact on the companies that employ them. The Alzheimer's Immunotherapy Program of Janssen AI partnered with other companies to sponsor the event. Janssen AI is a ReACT member.</p>
<p><b>Patients– Research</b></p>	<p>Healthy Minds, a partnership with One Mind</p>	<p>Janssen Pharmaceutical Companies of Johnson &amp; Johnson launched Healthy Minds, a significant new commitment in funding, R&amp;D and education to help reduce stigma and improve public understanding of mental health conditions, and encourage collaboration to accelerate the discovery of new therapeutic solutions for brain disease.</p>

**Shareholders**

We welcome hearing from our shareholders. Shareholder inquiries and proposals are encouraged and should be directed to the attention of the Corporate Secretary at the principal office of the Company, One Johnson & Johnson Plaza, New Brunswick, N.J. 08933.



**CARING FOR WOMEN AND CHILDREN:** Dr. Babatunde Osotimehin is Executive Director of UNFPA, the United Nations Population Fund, a primary member of the H4+ partnership, a coordinated initiative that ensures its member organizations work together for women's and children's health through local programs. In 2011, Johnson & Johnson became the first private sector partner to support the H4+ and will provide training programs for health care workers in Ethiopia and Tanzania, areas where the risk to mothers and newborns is high and the governments' commitments to improving maternal-child health are strong.

# Managing Risk

Johnson & Johnson has a consolidated and collaborative process called Enterprise Risk Management (ERM), whereby the Board of Directors, management and other personnel apply a common risk management approach to strategy setting and other decisions across the enterprise that is designed to:

- Identify potential events that may affect the entity.
- Manage the associated risks and opportunities.
- Provide reasonable assurance that the Company's stated objectives will be achieved.

In carrying out this critical responsibility, the Board meets at regular intervals with key members of management with primary responsibility for risk management in their respective areas of responsibility. The subject matter of these meetings can generally be grouped into the following categories and risk areas: Strategy, Reporting, Compliance and Operations. The Board also receives regular reports on aspects of the Company's risk management from the Company's independent auditor and quarterly updates at the Board of Director Meetings from the Chairs of each of the Board Committees, in particular the Audit Committee and the Regulatory, Compliance and Government Affairs Committee.

On a second level, Johnson & Johnson also has risk analysis processes at various function levels:

**Compliance-Related Risks:** The Chief Compliance Officer chairs the Johnson & Johnson Compliance Committee, whose members include Compliance Officers for our business sectors, as well as the leaders of other key company functions. The Chief Compliance Officer reviews many forms of risk as well as our programs in the areas of financial reporting, sovereign nation, healthcare compliance, government contracting, anticorruption, privacy legislation, cyber security, quality, environmental health and safety, and regulatory compliance.

**Health Care Compliance Risk:** In order to assess the risks in health care compliance, anticorruption and privacy, a variety of tools are used. A comprehensive risk assessment methodology is used to assess risk in the HCC/FCPA, GCC and Privacy areas on a regular basis (baseline assessments and risk updates). The scan methodology identifies the risk and measures the risk exposure. A database (EDGE) has been developed that contains current information on risks and risk mitigation and reduction programs. In addition, face to face reviews, including with other departments (i.e., legal and audit) are held to assess risk and take appropriate mitigation actions.

**Reputation Risk:** Reputational risk is overseen by the corporate communications function, partnering with representatives from the function in each of the sectors and operating companies, as well as the Law Department.

**Financial Risk:** Financial risk is overseen by the corporate finance function, including Treasury, the Controller and Internal Audit, together with finance officers of our business sectors and operating companies. The Internal Audit organization conducts a comprehensive annual risk assessment, the results of which are summarized and presented to the Audit Committee and ultimately form the basis for the yearly audit plan that is coordinated with the Company's independent auditors.

**Supply Chain Risk:** Supply chain risks are assessed using Business Continuity Planning (BCP) to look within manufacturing sites and Supply Chain Risk Management (SCRM) to look across specific supply chains that support our most important products and product platforms.

BCP takes place annually at our most critical plants and includes a full assessment of site-specific risks and readiness planning should a manufacturing facility experience a disruption in operations due to natural or man-made disaster (i.e., fire, flood, hurricane, explosion, etc.). Plans for backup manufacturing are included and assessed closely.

A consistent, data-driven approach to risk management, SCRM is an initiative created by Johnson & Johnson Supply Chain that involves both enterprise and local business unit leaders, enabling them to understand and address risks that may exist relative to their product portfolios. SCRM helps enterprise leaders to clearly define risk thresholds and annual risk reduction targets, setting an appropriate balance between business objectives and risk management. Products and product platforms are prioritized based on three criteria: 1) Importance of products/product platforms to public health; 2) Importance of products/product platforms to the company's reputation; and 3) Importance of products/product platforms to the company's financial performance.

Working with commercial leaders responsible for these products and product platforms, supply chain leaders undertake an extensive and exhaustive evaluation of touch points along each products' supply chain—i.e., raw materials; external suppliers; internal and external manufacturing; quality-related issues and safeguards; and, among other issues, geographic and geopolitical considerations. Teams produce comprehensive risk assessments for each product or product platform, along with recommendations for risk mitigation. Business unit leaders are responsible for final decisions on mitigation plans and recommendations. An enterprise-level review is conducted on all final decisions.

**Risks Due to Climate Change:** We consider that decreasing our emissions and increasing our energy efficiency is the best method for managing direct risk resulting from carbon

EC2

regulations that may result in increased operational costs. We have a history of striving to decrease emissions and increase energy efficiency from the first environmental goals we set in 1987, to the *Healthy Future 2015* goals. This history represents many years of setting and achieving long-term goals and targets across a range of environmental media, including carbon emissions. Our recently launched *Healthy Future 2015* program includes broad and aggressive goals in the following climate change-related areas:

- Facility carbon emissions (20 percent absolute reduction without voluntary carbon offsets or renewable energy credits by 2020);
- Increase onsite clean or renewable energy capacity (50 MW by 2015);
- Fleet emissions per kilometer driven (20 percent decrease by 2015); and
- Investment in projects resulting in carbon reductions (\$40 million per year).

Johnson & Johnson has facilities that are located in areas with current and pending carbon tax or carbon cap and trade schemes, including eight in China, six in the United Kingdom; 18 in California, two in Australia, six in Mexico, seven in Brazil, and 40 in Europe. Currently three of our facilities are active under the European Union Emissions Trading Scheme, and all other facilities fall below the requirements for current or pending schemes. It is possible that thresholds in any of these areas could be lowered and could therefore expose the company to increased regulatory requirements, but we don't consider this to be likely at this time.

Johnson & Johnson also does not consider these risks to be significant based on the cost of energy as a percent of sales and on our existing efforts to prepare for a carbon constrained future. The total cost of energy in 2011 for all facilities worldwide was approximately \$309.6 million, representing less than one half of one percent of total 2011 U.S. sales of \$65.0 billion. We have evaluated the impact of 25 percent, 50

percent and 100 percent increases of total direct energy costs for all facilities worldwide as proxies for risks associated with increased regulatory costs. These scenarios would result in energy representing 0.6 percent, 0.7 percent, and 1.0 percent of sales, which is not considered to be a significant financial risk to the company.

Broadly speaking, Johnson & Johnson is involved in a number of efforts that provide critical insight into the likelihood of future climate legislation, and this involvement allows us to anticipate regulatory or policy changes. Examples of initiatives that we are currently involved in include: World Wildlife Fund's Climate Savers Program, World Resources Institute's Next Practice, United States Climate Action Partnership, Department of Energy's Better Buildings, Better Plants program, The Prince of Wales's Corporate Leadership Group on Climate Change, and Harvard Medical School's Centre for Health and the Global Environment.

Those risks posed to Johnson & Johnson by climate change and related policies are considered as part of our continued involvement in the Carbon Disclosure Project. This analysis is included in a complete report filed with CDP and available at [www.cdproject.net](http://www.cdproject.net).

**Other Forms of Risk:** Operational and regulatory risks are assessed and managed by the business sectors and individual operating companies.

In addition, the Audit Committee of the Board meets regularly in private sessions with the Chief Financial Officer, General Counsel, Chief Compliance Officer, Vice President of Corporate Internal Audit and representatives of the Company's independent auditor at Audit Committee meetings, where aspects of risk management are discussed.

Furthermore, the Regulatory, Compliance and Government Affairs Committee was formed in 2012 and meets regularly in private sessions with the General Counsel, Chief Compliance Officer, Chief Quality Officer and Vice President of Internal Audit.

# Economic Performance

In 2011, the year that Johnson & Johnson celebrated its 125th anniversary, we returned to delivering operational sales growth. We grew adjusted earnings\* for the 28th consecutive year. Our worldwide sales were \$65.0 billion, an increase of 5.6 percent. Sales increased operationally 2.8 percent, reflecting the strength of new product launches in our Pharmaceuticals business segment, steady performance across our MD&D franchise, science-based innovations in our Consumer business and strong growth in emerging markets.

Approximately 70 percent of our sales were from products with No. 1 or No. 2 global market share positions. Approximately 25 percent of our sales were from products introduced in the past five years.

With our continued focus on financial discipline, our adjusted earnings were \$13.9 billion\* and adjusted earnings per share were \$5.00\*, representing increases of 4.4 percent and 5.0 percent, respectively.

We invested \$7.5 billion in R&D and advanced robust pipelines across all three of our business segments.

We generated significant free cash flow of approximately \$11.4 billion\*\*, maintained our AAA credit rating and increased the dividend to our shareholders for the 49th consecutive year.

Solid and consistent returns to shareholders have been a hallmark of Johnson & Johnson. During 2011, we generated a one-year total shareholder return of nearly 10 percent, exceeding the Standard & Poor's 500 and Dow Jones Industrial Average. Over longer time frames, we continue to compare favorably to those indices. With a long-term management focus, our company has remained a solid investment choice for decades.

## Corporate Contributions

Johnson & Johnson is among the largest corporate donors, contributing \$706 million in cash and products toward nearly 600 programs in more than 50 countries, impacting tens of millions of lives worldwide.

The company contributed \$119 million in cash to organizations in the United States and around the world for corporate and operating companies' programs and projects. This included \$12 million allocated through our U.S. Matching Gifts program; Johnson & Johnson double-matched employee contributions in 2011 and made one-for-one contributions for donations from retirees, up to \$10,000 for qualified nonprofit U.S. 501(c)(3) organizations.

Johnson & Johnson companies made \$587 million in non-cash contributions (product donations are reported at fair market value, which is consistent with the reporting methods of nonprofit organizations). Of these contributions, the Company donated \$496 million of selected prescription products to patients without adequate financial resources in the U.S. through the Johnson & Johnson Patient Assistance Program. Over the past three years, our companies have provided more than 3 million units of medicine free of charge to nearly half a million

EC3

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

COMPONENT	FY 2011	SOURCE
Direct economic value generated		
a) Revenues	65,030	2011 Annual Report: Total Sales
Economic value distributed		
b) Operating costs	28,932	2011 Annual Report: Summary of Ops (Cost of Mat. & Serv.)
c) Employee wages and benefits	15,202	2011 Annual Report: Summary of Ops (Employment Costs)
d) Payments to providers of capital	6,727	2011 Annual Report: Cash Flow Statement (Div payments) + Summary of Ops (Int Exp)
e) Payments to governments	4,230	2011 Annual Report: Summary of Ops (Total Tax Expense)
f) Community investments	706	2011 Responsibility Summary Report
Total economic value distributed	55,797	
Economic value retained Calculated as economic value generated less economic value distributed	9,233	

\* Excludes special items. See Reconciliation of Non-GAAP Financial Measures on Page 72 of the 2011 Annual Report or in the Investor Relations section of the Company's website at [www.investor.jnj.com](http://www.investor.jnj.com).

\*\* Free cash flow is defined as operating cash flow less capital spending. See Reconciliation of Non-GAAP Financial Measures on Page 72 of the 2011 Annual Report or online at [www.investor.jnj.com](http://www.investor.jnj.com).

U.S. patients. The balance of non-cash contributions went to private voluntary organizations that assist medically underserved people in developing countries and provide emergency disaster relief.

We manage our Contributions Program within guidelines approved by the Johnson & Johnson Executive Committee. Total giving of \$706 million in 2011 increased by 17 percent from \$603 million in 2010, consistent with our continuing commitment to our philanthropic and patient assistance programs. Our Contributions budget is established well before the start of each fiscal year, so our giving as a percentage of year-end pretax income thus varies from year to year, as fluctuations in year-end pretax income become apparent. For 2011, our giving represented 4.1 percent of annual worldwide adjusted pretax income\*.

### Economic Value Retained

The chart on page 67 provides a profile of our economic impact based on economic value generated and distributed, as outlined by the Global Reporting Initiative.

EC1

### Defined Benefit Obligations

Johnson & Johnson sponsors employee-related obligations, among them pension and post-retirement benefits.

EC3

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 2011, the projected benefit obligation was \$17,424 million, and the fair value of the assets equaled \$13,736 million, for a shortfall of \$3,688 million. Discretionary contributions are made when deemed appropriate to meet the plan's long-term obligations. For more information, see Note 10 in our 2011 10-K/Annual Report.

The U.S. pension plan is provided at no cost, and all employees aged 21 and over 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.

### Defined Contribution

The voluntary 401(k) plan is based on a minimum of 3 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.

### Market Presence

Johnson & Johnson conducts business in virtually all countries of the world, with the primary focus on products related to human health and well-being. Also see Note 18, Segments of Business and Geographic Areas, in our 10-K/Annual Report.

\* Excludes special items. See Reconciliation of Non-GAAP Financial Measures on Page 72 of the 2011 Annual Report or in the Investor Relations section of the Company's website at [www.investor.jnj.com](http://www.investor.jnj.com).

### Local Wages

Johnson & Johnson companies maintain various decentralized employee databases and payroll systems and compensate employees differently in different countries. As a result of this complexity and fragmentation, we are not able to report a range of ratios of standard entry-level wage compared to local minimum wage at significant locations of operation.

EC5

### Indirect Impacts

In 2011, we prepared a country specific sustainability report for China that was made available in April 2012. This report includes a 2010 economic analysis conducted by Archstone Consulting, a leading economic research firm. It found that Johnson & Johnson companies operating in China generated a total economic value of approximately RMB 48.3 billion. This includes direct payment of wages, benefits and taxes; procurement spending with local third-party vendors on goods and services; value added activities, including warehousing, product distribution and sales processes; and the generation of indirect economic value through our presence in the local economy—which amounts to approximately 2.1 additional RMB for every RMB our companies spend in China.

EC9

We plan to use the China report as a template for other locations.

### Supplier Spending

Our strong commitment to supplier diversity has allowed us to enhance our supplier network, support job creation in our local communities, and strengthen ties to the consumers, patients and doctors who benefit from our products and services. We have had an active outreach and advocacy program in place for many years and established a formal Office of Supplier Diversity in 1998.

EC6

### Hiring Practices

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

EC7

## HEALTHY FUTURE 2015 SUSTAINABILITY GOALS: 2011 PROGRESS

2015 STRATEGY	MEASUREMENT/TARGET	2011 PROGRESS
<b>Advancing Global Health</b>	One research partnership and three licensing agreements finalized to address diseases of the developing world	<b>Signed agreement</b> with Critical Path Institute regarding tuberculosis <b>Announced collaboration</b> with Gates/WHO for parasitic infections <b>Signed licensing agreements</b> with Drugs for Neglected Diseases initiative on other neglected tropical diseases
	Ninety least-developed and middle-income countries have our HIV therapies registered and available at special-effort pricing	<b>38 countries approved, four additional countries pending approval</b>
	All our products that address diseases of the developing world achieve WHO prequalification	<b>HIV antiretroviral medicines in WHO prequalification process</b>
	Make 200 million doses of mebendazole per year provided to children infected with intestinal worms	<b>115 million doses provided, 13 countries</b>
	Register a new triple combination therapy for HIV and finalize a generic licensing agreement	<b>New triple combination therapy registered</b> in U.S. and EMEA; <b>five generic licensing agreements signed</b> for our HIV medicine, rilpivirine
<b>Safeguarding the Planet</b>	20 percent absolute reduction in facility carbon dioxide emissions (by 2020)	<b>4.9 percent absolute reduction</b>
	Increase onsite renewable and clean-technology energy capacity to 50 megawatts	<b>38.7 megawatts installed or in progress, a 49 percent increase over 2010</b>
	20 percent improvement in vehicle fleet emissions efficiency	<b>4.0 percent improvement</b>
	10 percent absolute reduction in water consumption at manufacturing and R&D locations	<b>1.7 percent absolute reduction</b>
	10 percent absolute reduction in total waste disposed at manufacturing and R&D locations	<b>9.5 percent absolute reduction</b>
	Products and packaging evaluated for sustainability improvements, with 60 achieving EARTHWARDS® recognition	<b>15 in 2011; 26 total</b>
<b>Supplier Sustainability</b>	All strategic suppliers have two or more publicly reported sustainability goals	<b>36 percent</b> of suppliers with public goals
	\$1 billion in spend with diverse suppliers by 2011; 5 percent increase per year thereafter	<b>\$1.3 billion, a 22 percent increase over 2010</b>
	All suppliers in high-risk countries confirm awareness of and conformance with the human rights provision of our policies	<b>Launched new Responsibility Standards for Suppliers</b> that include human rights provisions
	All critical employees receive human rights training	<b>Used most of 2011 to develop and launch training program</b> in our procurement community; less than 1 percent trained at year end

continued on next page

HEALTHY FUTURE 2015 SUSTAINABILITY GOALS: 2011 PROGRESS *(continued)*

2015 STRATEGY	MEASUREMENT/TARGET	2011 PROGRESS
<b>Supplier Sustainability</b> (cont.)	All palm oil and palm oil derivatives are sourced from certified sustainable sources	<b>Purchased sustainable palm certificates equivalent to 100% of our 2011 palm oil usage</b>
<b>Engaged, Health-conscious Employees</b>	90th percentile employee engagement when compared to external benchmarks	<b>90th percentile</b> (enterprise and all four operating groups)
	90% of employees have access to "culture of health" programs	<b>34 percent</b>
	80% of employees have completed a health risk assessment and know their key health indicators	<b>38 percent</b>
	80% of measured employee population health risks are characterized as "low risk"	<b>78 percent</b>
	15% improvement in employee safety vs. 2010 (Lost workday case rate target of 0.09)	<b>0 percent</b> Actual lost workday case rate = 0.11
	15% improvement in contractor safety vs. 2010 (Lost workday case rate target of 0.12)	<b>0 percent</b> Actual lost workday case rate = 0.14
	15% improvement in fleet safety vs. 2010 (Auto crashes per million miles target of 4.7)	<b>(7 percent)</b> Actual crashes per million miles = 5.94
<b>Advancing Community Wellness</b>	100 community health education initiatives across 25 countries	<b>Eight programs across five countries reaching ~400,000 people</b>
<b>Philanthropy Measurement</b>	Number and percent of major philanthropic programs measuring health-related outcomes	<b>63 programs, 90 percent</b>
<b>Transparency and Collaborations</b>	All major brand websites share product sustainability information	<b>30 percent of major brands</b>
	Major stakeholder engagements and new collaborations reported publicly	<b>Work in progress</b>
	JNJ.com/responsibility shares Company policy perspectives on major issues	<b>JNJ.com/responsibility launched in 2011</b>
	Economic and sustainability reporting enhanced online and provided for key markets	<b>Used most of 2011 to develop a country reporting framework and drafted a China report</b>

## 2011 DATA SUMMARY TABLE

EMPLOYEE HEALTH AND SAFETY	UNIT	2008 (unless noted otherwise)	2009	2010	2011
Tobacco use <sup>1</sup>	% of profiled employees	12 <sup>2</sup>	3.9	3.8	3.6
High blood pressure (above 140/90) <sup>1</sup>	% of profiled employees	12 <sup>2</sup>	6.3	6.1	6.4
High cholesterol (above 240 mg/l) <sup>1</sup>	% of profiled employees	19 <sup>2</sup>	5.3	5.7	6.2
Inactivity (< 30 mins/day, 4 days/week) <sup>1</sup>	% of profiled employees	39 <sup>2</sup>	20.4	20.8	20.9
Employee satisfaction (Our Credo survey)	% of respondents satisfied	NA <sup>3</sup>	80	84	87
OHSAS certifications	% manufacturing/R&D facilities with certification	NA	NA	31%	30%
Serious injury/illness rate	Incidents per 100 employees	0.072 <sup>4</sup>	0.034	0.037	0.028
Lost workday case rate	Incidents per 100 employees	0.31 <sup>4</sup>	0.12	0.11	0.11
Fleet car accidents	Crashes per million miles driven	8.76 <sup>4</sup>	5.75	5.53	5.94
Ergonomic injuries	% of lost workday cases	48 <sup>4</sup>	32	29	30
Safety noncompliances	Number of findings	NA	10	3	9
Safety fines paid	U.S. dollars	NA	2,200	5,500	7,311
ENVIRONMENT	UNIT	2008 (unless noted otherwise)	2009	2010	2011
Environmental noncompliances	Number of findings	20	50	57	30
Environmental fines paid	U.S. dollars	164,100	6,630	0	5,000
Accidental releases	Number of events	15	16	10	9
ISO 14001 certifications	% manufacturing/R&D facilities with certification	100	99	99	99
Energy use	Billion BTUs <sup>5</sup>	13,361	12,822	13,069	12,610
Facility CO <sub>2</sub> emissions <sup>6</sup>	Thousand metric tons	1,307	1,261	1,278	1,216
Onsite clean or renewable energy capacity	Megawatts	9.8	15.1	26.0	38.7 <sup>7</sup>
CO <sub>2</sub> fleet emissions	Average emissions per vehicle (g/km)	NA	NA	177	170
CO <sub>2</sub> project capital spent	Energy/CO <sub>2</sub> project spend, \$MM	12	44.0	56.4	48.2
CO <sub>2</sub> project results	Cumulative CO <sub>2</sub> emissions avoided annually, thousand metric tons	71.7	99.8	119.1	138.4
Water use	Million m <sup>3</sup>	11.5	10.8	11.5	11.3
Recycled water use	Million m <sup>3</sup>	NA	0.8	0.77	0.69
Wastewater discharged	Million m <sup>3</sup>	NA	NA	NA	7.6
Non-hazardous waste disposed	Million kg	52.3	42.6	58.3	47.7
Hazardous waste disposed	Million kg	29.3	24.6	27.2	29.7
Waste site remediation	Number of active remediation sites	21	16	17	18
Sulfur dioxide emissions	Tons	NA	NA	137	121

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<sup>1</sup> U.S. data. Participation rate is 81% <sup>2</sup> 1995–99 average <sup>3</sup> NA: Not Available <sup>4</sup> 1995 data <sup>5</sup> 3,412 BTU/Kwh <sup>6</sup> Total, excluding voluntary carbon offsets and renewable energy credits (past years recalculated without these) <sup>7</sup> Already online or in progress

ENVIRONMENT (continued)	UNIT	2008 (unless noted otherwise)	2009	2010	2011
Nitrous oxide emissions	Tons	NA	NA	280	266
Hazardous air pollutant emissions	Tons	NA	NA	55	53
Volatile organic compound emissions	Tons	NA	NA	1,010	1,406
Particulate matter emissions	Tons	NA	NA	165	135
Greener products	Cumulative number of EARTHWARDS® recognized products	NA	4	16	26
LEED buildings	Number certified	NA	NA	9	12
SUPPLIERS AND DIVERSITY	UNIT	2008 (unless noted otherwise)	2009	2010	2011
Women on Board of Directors	Number	2	3	3	3
	% of Board <sup>8</sup>	20	27	27	25
Women in workforce	% of employees	NA	NA	NA	47.2
Women in management	% of management-level employees	NA	NA	NA	45.7
Small business supplier spend	U.S. dollars, millions	NA	3,070	3,106	3,149
Veteran-owned supplier spend	U.S. dollars, millions	NA	84	112	103
LGBT supplier spend	U.S. dollars, millions	NA	1.3	1.4	1.7
Minority/women-owned suppliers	Spend, million U.S. dollars	NA	860	1,065	1,303
	% of total supplier spend	NA	7.8	8.6	10.4
	Number	NA	2,400	2,500	2,200
Suppliers participating in Carbon Disclosure Project at Johnson & Johnson request	Number	NA	36	66	98
OPERATIONS AND STATISTICAL DATA <sup>9</sup>	UNIT	2008 (unless noted otherwise)	2009	2010	2011
Sales	U.S. dollars, millions	63,747	61,897	61,587	65,030
	% change over previous year	4.3	(2.9)	(0.5)	5.6
Net earnings	U.S. dollars, millions	12,949	12,266	13,334	9,672
	% change over previous year	22.4	(5.3)	8.7	(27.5)
Share price (end of calendar year)	U.S. dollars	58.56	64.41	61.85	65.58
R&D	U.S. dollars, millions	7,577	6,986	6,884	7,548
	% of sales	11.9	11.3	11.1	11.6
Effective income tax rate	% of income	23.5	22.1	21.3	21.8
Advertising costs	U.S. dollars, billions	2.9	2.4	2.5	2.6
	% of sales	4.5	3.9	4.1	4.0
Charitable contributions	U.S. dollars, millions	510.3	588.1	603.3	706.1
	% of pretax income	3.0	3.7	3.6	5.7
	Non-cash	365.5	461.5	495.3	587.1
Operating companies	Number (approximate)	250	250	250	250
Employees	Number (approximate)	118,700	115,500	114,000	117,900

GRI 2.10

# Recognitions

## United Nations 2011 Humanitarian of the Year

Johnson & Johnson was awarded the United Nations 2011 Humanitarian of the Year Award for our leading role in its Healthy Mother, Healthy Child initiative.

## America's Most Admired Companies

*Fortune* recognized Johnson & Johnson as the third most admired company in the pharmaceutical sector and as the 17th most admired overall.

## The World's Most Reputable Companies

The Reputation Institute ranked Johnson & Johnson as the third most reputable company in the United States.

## The Harris Interactive Reputational Quotient (RQ)

In 2011, Johnson & Johnson ranked No. 2 on this survey. 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 has been included on this list since its inception seven years ago.

## Top Companies for Women Executives

The National Association for Female Executives selected Johnson & Johnson as one of the Top 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 25 years ago. Our inclusion recognizes our family-friendly policies for flexible work, child care, maternity and paternity leave, and elder care, among others.

## Best Green Companies for Children

*Working Mother* magazine ranked Johnson & Johnson as one of the "2010 Best Green Companies for Children." Johnson & Johnson was recognized as a leader in addressing climate change challenges and for philanthropic and sustainability efforts.

## Top 50 Companies for Diversity®

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

## Best Places to Work for Gay, Lesbian, Bisexual and Transgender Equality

For the fifth 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.

## Newsweek Green Rankings for U.S. Companies

Johnson & Johnson was ranked No. 6 overall and the top health care and pharmaceutical company of the 500 companies evaluated.

## CEO Cancer Gold Standard™ Accredited

Johnson & Johnson has been accredited for the past consecutive six years, and was one of the first companies to meet the accreditation requirements for the CEO Roundtable on Cancer Prevention Gold Standard accreditation process. The Roundtable was formed to make continual progress on the elimination of cancer and was chaired by our CEO, William C. Weldon (ended 2010).

## 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.

## 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.

## 2011 Corporate Knights Global 100 List

Johnson & Johnson was ranked No. 2 as one of the most Sustainable Companies in the world by Corporate Knights Inc., an independent Canadian-based social enterprise that publishes the global magazine for clean capitalism.

## US Hispanic Chamber of Commerce (USHCC)

Johnson & Johnson was inducted into the U.S. Hispanic Chamber of Commerce Million Dollar Club, a recognition provided to companies that exceed \$1 million in spend with Hispanic-owned business enterprises and was named 2011 Top Corporation.

## Hispanic Corporation of the Year 2011

U.S. Hispanic Chamber of Commerce named Johnson & Johnson the 2011 Corporation of the Year for its commitment to incorporating a growing number of Hispanic-owned enterprises into its supplier networks.

## Manufacturer Of The Year

Johnson & Johnson was named "Manufacturer of the Year" by Medical Device + Diagnostic Industry *Magazine* for its leadership and acceleration in innovation.

## 2012 Corporate Health Achievement Award

The Corporate Health Achievement Award (CHAA) recognizes quality occupational and environmental health programs, identifies model programs and outstanding practices with measurable results, and encourages organizational self-assessment and continuous improvement. This is the second time Johnson & Johnson has been honored as a recipient of the CHAA.

**Standard Disclosures: Profile**

**1. STRATEGY AND ANALYSIS**

PROFILE DISCLOSURE	DESCRIPTION	PAGE
1.1	Statement from the most senior decision-maker of the organization.	4
1.2	Description of key impacts, risks, and opportunities.	6

**2. ORGANIZATIONAL PROFILE**

PROFILE DISCLOSURE	DESCRIPTION	PAGE
2.1	Name of the organization.	8
2.2	Primary brands, products, and/or services.	8
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	8
2.4	Location of organization's headquarters.	8
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	8
2.6	Nature of ownership and legal form.	8
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	8
2.8	Scale of the reporting organization.	8
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	9
2.10	Awards received in the reporting period.	73

**3. REPORT PARAMETERS**

PROFILE DISCLOSURE	DESCRIPTION	PAGE
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	3
3.2	Date of most recent previous report (if any).	3
3.3	Reporting cycle (annual, biennial, etc.)	3
3.4	Contact point for questions regarding the report or its contents.	3
3.5	Process for defining report content.	3, 4
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers).	3
3.7	State any specific limitations on the scope or boundary of the report.	3
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	3
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols.	3
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	3, 9

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**3. Report Parameters** *(continued)*

PROFILE DISCLOSURE	DESCRIPTION	PAGE
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	3, 9
3.12	Table identifying the location of the Standard Disclosures in the report.	74
3.13	Policy and current practice with regard to seeking external assurance for the report.	3

**4. Governance, Commitments, and Engagement**

PROFILE DISCLOSURE	DESCRIPTION	PAGE
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	11
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	11
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	11
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	12
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	5, 7
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	12
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics.	11
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	12
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	11
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	5, 7
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	13
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	13
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: Has positions in governance bodies; Participates in projects or committees; Provides substantive funding beyond routine membership dues; or Views membership as strategic.	41
4.14	List of stakeholder groups engaged by the organization.	58
4.15	Basis for identification and selection of stakeholders with whom to engage.	58
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	58
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	58

**Standard Disclosures: Management Approach (DMA)**

G3 DMA	DESCRIPTION	PAGE
<b>DMA EC</b>	<b>Disclosure on Management Approach – Economic</b>	
	Economic performance	65–68
	Market presence	65–68
	Indirect economic impacts	65–68
<b>DMA EN</b>	<b>Disclosure on Management Approach – Environment</b>	
	Materials	26–36
	Energy	26–36
	Water	26–36
	Biodiversity	26–36
	Emissions, effluents and waste	26–36
	Products and services	26–36
	Compliance	26–36
	Transport	26–36
	Overall	26–36
<b>DMA LA</b>	<b>Disclosure on Management Approach – Labor Practices</b>	
	Employment	52–58
	Labor/management relations	52–58
	Occupational health and safety	52–58
	Training and education	52–58
	Diversity and equal opportunity	52–58
<b>DMA HR</b>	<b>Disclosure on Management Approach – Human Rights</b>	
	Investment and procurement practices	38–39
	Non-discrimination	38–39
	Freedom of association and collective bargaining	38–39; 52
	Child labor	38–39
	Forced and compulsory labor	38–39
	Security practices	38–39
	Indigenous rights	38–39
<b>DMA SO</b>	<b>Disclosure on Management Approach – Society</b>	
	Community	throughout report
	Corruption	25–26
	Public policy	40
	Anti-competitive behavior	25–26
	Compliance	25–26

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**Standard Disclosures: Management Approach (DMA) (continued)**

G3 DMA	DESCRIPTION	PAGE
<b>DMA PR</b>	<b>Disclosure on Management Approach – Product Responsibility</b>	
	Customer health and safety	15–17
	Product and service labelling	15–17
	Marketing communications	15–17
	Customer privacy	15–17
	Compliance	15–17

**Standard Disclosures: Performance Indicators**

**ECONOMIC**

PERFORMANCE INDICATOR	DESCRIPTION	PAGE
<b>Economic Performance</b>		
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	68
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	66
EC3	Coverage of the organization's defined benefit plan obligations.	68
<b>Market Presence</b>		
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.	68
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	68
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	68
<b>Indirect Economic Impacts</b>		
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	67
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	68

**ENVIRONMENTAL**

PERFORMANCE INDICATOR	DESCRIPTION	PAGE
<b>Materials</b>		
EN1	Materials used by weight or volume.	36
EN2	Percentage of materials used that are recycled input materials.	35

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**ENVIRONMENTAL** *(continued)*

PERFORMANCE INDICATOR	DESCRIPTION	PAGE
<b>Energy</b>		
EN3	Direct energy consumption by primary energy source.	29
EN4	Indirect energy consumption by primary source.	29
EN5	Energy saved due to conservation and efficiency improvements.	30
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	36
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	29
<b>Water</b>		
EN8	Total water withdrawal by source.	33
EN9	Water sources significantly affected by withdrawal of water.	32
EN10	Percentage and total volume of water recycled and reused.	33
<b>Biodiversity</b>		
EN13	Habitats protected or restored.	35
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	35
<b>Emissions, effluents and waste</b>		
EN16	Total direct and indirect greenhouse gas emissions by weight.	29
EN17	Other relevant indirect greenhouse gas emissions by weight.	29
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	29
EN19	Emissions of ozone-depleting substances by weight.	31
EN20	NO <sub>x</sub> , SO <sub>x</sub> , and other significant air emissions by type and weight.	31
EN21	Total water discharge by quality and destination.	33
EN22	Total weight of waste by type and disposal method.	34
EN23	Total number and volume of significant spills.	27
<b>Products and services</b>		
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	35
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	35
<b>Compliance</b>		
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	27
<b>Transport</b>		
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	30

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**LABOR PRACTICES AND DECENT WORK**

PERFORMANCE INDICATOR	DESCRIPTION	PAGE
<b>Employment</b>		
LA1	Total workforce by employment type, employment contract, and region.	52
LA2	Total number and rate of employee turnover by age group, gender, and region.	52
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	57
<b>Labor/management relations</b>		
LA4	Percentage of employees covered by collective bargaining agreements.	52
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	53
LA6	Percentage of total workforce represented in formal joint management–worker health and safety committees that help monitor and advise on occupational health and safety programs.	50
<b>Occupational health and safety</b>		
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.	51
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	48
LA9	Health and safety topics covered in formal agreements with trade unions.	50
<b>Training and education</b>		
LA10	Average hours of training per year per employee by employee category.	53
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	53
LA12	Percentage of employees receiving regular performance and career development reviews.	56
<b>Diversity and equal opportunity</b>		
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	52
LA14	Ratio of basic salary of men to women by employee category.	52

**HUMAN RIGHTS**

PERFORMANCE INDICATOR	DESCRIPTION	PAGE
<b>Investment and procurement practices</b>		
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.	38–39
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	38–39
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	38–39

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**Freedom of association and collective bargaining**

HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.	38–39
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**Child labor**

HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.	38–39
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**Forced and compulsory labor**

HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor.	38–39
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**Security practices**

HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	38–39
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**SOCIETY**

PERFORMANCE INDICATOR	DESCRIPTION	PAGE
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**Corruption**

S02	Percentage and total number of business units analyzed for risks related to corruption.	25
S03	Percentage of employees trained in organization's anti-corruption policies and procedures.	26
S04	Actions taken in response to incidents of corruption.	25

**Public policy**

S05	Public policy positions and participation in public policy development and lobbying.	41
S06	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	40

**Anti-competitive behavior**

S07	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	26
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**Compliance**

S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	26
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**PRODUCT RESPONSIBILITY**

PERFORMANCE INDICATOR	DESCRIPTION	PAGE
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**Customer health and safety**

PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	15
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	17

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**PRODUCT RESPONSIBILITY** *(continued)*

PERFORMANCE INDICATOR	DESCRIPTION	PAGE
<b>Product and service labeling</b>		
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	16
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	17
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	16
<b>Marketing communications</b>		
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	17
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	17
<b>Customer privacy</b>		
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	17
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	17
<b>Compliance</b>		
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	17

The values that guide our decision making are spelled out in Our Credo. Put simply, Our Credo challenges us to put the needs and well-being of the people we serve first.

Robert Wood Johnson, former chairman from 1932 to 1963 and a member of the Company's founding family, crafted Our Credo himself in 1943, just before Johnson & Johnson became a publicly traded company. This was long before anyone ever heard the term "corporate social responsibility." Our Credo is more than just a moral compass. We believe it is a recipe for business success. The fact that Johnson & Johnson is one of only a handful of companies that have flourished through more than a century of change is proof of that.

## 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.