

Johnson & Johnson



2007 Sustainability Report

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

inspires and unites the people of Johnson & Johnson.

We embrace research and science – bringing innovative ideas, products and services to advance the health and well-being of people.

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

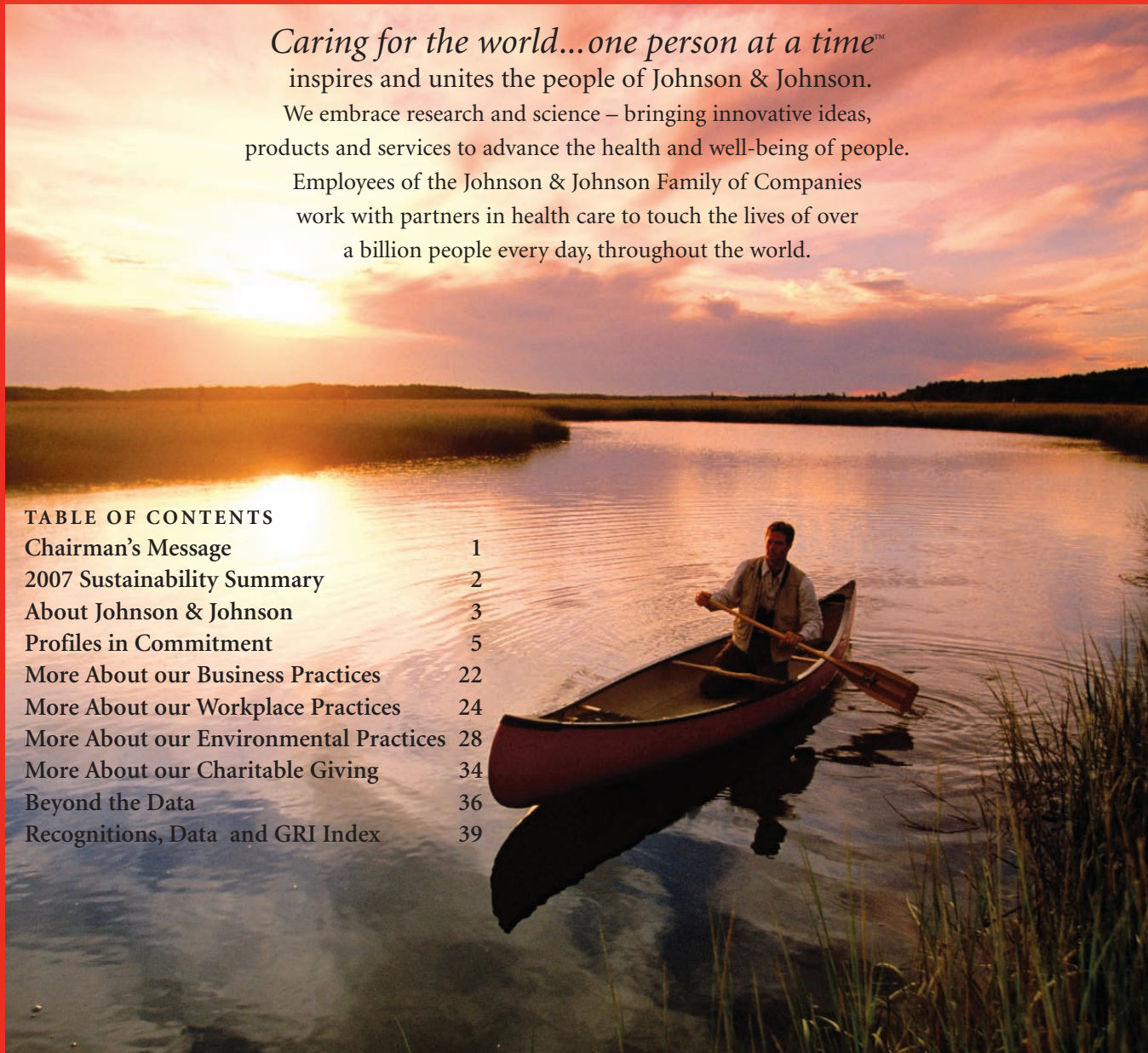


TABLE OF CONTENTS

Chairman’s Message	1
2007 Sustainability Summary	2
About Johnson & Johnson	3
Profiles in Commitment	5
More About our Business Practices	22
More About our Workplace Practices	24
More About our Environmental Practices	28
More About our Charitable Giving	34
Beyond the Data	36
Recognitions, Data and GRI Index	39

ABOUT THIS REPORT

This report discusses Johnson & Johnson’s sustainability activities and progress as of December 2007. It is our fifth annual Sustainability Report and 11th year reporting environmental progress. In developing this report, we have considered employee and external feedback on the 2006 Report. The feedback was derived from our contact mailbox (csr@corus.jnj.com), non-governmental organization engagements, senior company leadership input and three evaluations conducted by SustainAbility Inc., Claremont McKenna College and Ethical Corporation.

Through these and other sources, we learned that there is strong consensus that sustainability reports are rarely read cover to cover. Instead, users typically turn to a sustainability report to find a discreet bit of particular information on an as-needed basis. We also learned that readers are seeking more in-depth discussions of a company’s priority sustainability issues.

In consideration of the feedback we received, we continue to evolve our reporting. Our 2007 report begins with a comprehensive discussion of a number of key issues affecting our business, followed by a more crisp presentation

of other sustainability topics of known interest to our stakeholders. The report is augmented by information contained on our website, www.jnj.com. The primary audience for this report is external stakeholders. The Company has a variety of other mechanisms by which it shares sustainability progress internally.

Information presented throughout the report represents the manufacturing and research & development facilities operated by the Johnson & Johnson Family of Companies. No external manufacturing is included in our data.

GLOBAL REPORTING INITIATIVE (GRI)

Consideration was given to the Global Reporting Initiative Sustainability Reporting Guidelines (G3) in the preparation of this report. On the inside back cover, we provide an index with references to G3 indicators; however, we do not declare a reporting level at this time.

FEEDBACK AND FURTHER INFORMATION

We invite your comments on our sustainability activities and this report by emailing us at csr@corus.jnj.com.

CHAIRMAN'S MESSAGE

Over the 121 years of Johnson & Johnson's history, much has changed. Still, the essence of who we are, why we are here, and what we care about remains firmly grounded in the words of Our Credo (see back cover). Our Credo has guided our actions in fulfilling our responsibilities to our customers, employees, communities, and stockholders since 1943. In formulating these principles, General Robert Wood Johnson was ahead of his time. He recognized that our Company's financial success depends on our ability to protect the environment, respect our employees and be responsible to the world community. In fact, that is sustainability: ensuring that our customers, our employees, the communities in which we operate and the environment on which we depend, thrive with us.

Throughout its history, Johnson & Johnson has always faced business challenges. Today, these show up as patent expirations, increased regulatory scrutiny, the need for improved access to our products, the productivity of research and development, the global challenge of climate change, the role we play in a sustainable supply chain, and lifecycle issues presented by some of our products. In the face of these challenges, I am gratified by the degree of commitment and passion of our 119,200 employees across the Family of Companies. We continue to fulfill Johnson & Johnson's social and environmental responsibilities. It's exhilarating to lead an organization whose employees are determined to deliver innovations that are responsive to our responsibilities.

Going forward, Johnson and Johnson is uniquely positioned to respond to the rapidly changing health care environment. The innovations that are most needed — those coming from the convergence of science, technology and services — are the ones we are most capable of providing. We have the know-how across our lines of business to bring completely new solutions to market.

We can be proud of our progress. In the pages that follow, you will read about our efforts to increase access to health care, including a licensing agreement signed in 2007 that makes our HIV/AIDS drug more affordable in Africa. We have increased the number and potential impact of products in our pipeline. We made great progress in integrating our acquisition, Pfizer Consumer Healthcare, and in growing our consumer line of products. And, we launched a website providing a single point of entry to our available assistance programs to help the uninsured gain access to the medicines they need in the United States.

On the environmental front, we have long recognized the critical interdependence between human health and the health of our planet. We understand that environmental degradation threatens human health, and that we have a responsibility to protect the environment. To meet our responsibilities, we established five-year Healthy Planet goals in the areas of



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

energy use, water use, paper and packaging, waste reduction, product stewardship, biodiversity, and others. The details of our progress on these goals can be found in the body of this report, and on our website.

As a health care company, we feel a strong responsibility to keep our employees healthy and safe. Toward this end, we established employee Healthy People 2012 wellness goals. Our wellness program is dedicated to creating a "Global Culture of Health" for our employees. And in 2007, we continued our tradition of sustaining workplaces that are among the world's safest, always striving to prevent injuries and illnesses.

In summary, I view the future as promising and exciting. We are making an enormous positive impact on the lives of customers and patients, and the growth opportunities in the health care business are simply extraordinary. We vow to never lose sight of the importance of what we do... caring for the world, one person at a time. We are committed to transparent, balanced reporting of our activities, challenges and successes. I encourage you to engage with us and to challenge us.

Sincerely,

A handwritten signature in black ink that reads "William C. Weldon".

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

Our 2007 performance included a number of key successes:

BUSINESS & WORKPLACE ASPECTS

- Integrated Pfizer Consumer Healthcare in the Consumer Group of Companies, generating new platforms for growth.
- Created new compliance officers in our three business segments and a central Corporate Compliance Committee.
- Launched a corporate blog, JNJ BTW (By The Way) to engage more directly with customers, employees and other stakeholders.
- Achieved a tobacco-free environment at 98 percent of our worldwide workplaces.
- Enrolled our entire R&D community in LINK, a knowledge management system that enables rapid collaboration across the entire company, linking researchers to expertise they might not have been able to identify previously.
- Expanded our current pathways for the anonymous reporting of ethical concerns to include a new, confidential website.

SOCIAL ASPECTS

- Signed a royalty-free license agreement with Africa's largest pharmaceutical manufacturer to register, package and distribute our HIV/AIDS antiretroviral drug PREZISTA™ in Sub-Saharan Africa at a price that will not exceed US\$3 per day – the lowest price in the world.
- Launched the ACCESS2WELLNESS™ website, a single entry point into available U.S. assistance programs to help the uninsured gain access to the prescriptions they need.
- Implemented a retail pharmacy card through our Patient Assistance Foundation to speed access and enhance continuity of care in the United States.
- Marked the fifth year of our Campaign for Nursing's Future™ that works to alleviate the nursing shortage in the United States. Over the life of the campaign, enrollment in nursing programs has increased 57 percent.

ENVIRONMENTAL ASPECTS

- Reduced our facility carbon dioxide emissions by 12.7 percent on an absolute basis when compared to a 1990 baseline.
- Opened two more solar power installations, bringing to 10 the number of such installations in our U.S. Family of Companies.
- Reduced our hazardous waste by four percent and our non-hazardous waste by six percent in the past two years.
- Increased by 18 percent in 18 months, the amount of product shipped by rail instead of truck in the U.S. and Canada.
- Decreased our water consumption six percent in the past two years.

Throughout this report, we discuss challenges that will create our future opportunities, including:

BUSINESS & WORKPLACE ASPECTS

- Ameliorating the risks that counterfeit products pose to our patients and consumers.
- Sustaining the productivity of research and development.
- Protecting our intellectual property rights around the world.
- Balancing affordable healthcare with the costs incurred to bring new products to market.
- Raising the bar for how our sales and marketing representatives interact with health care professionals.

SOCIAL ASPECTS

- Improving the efficiency of our patient assistance programs to balance patient interests, health care provider needs and compliance.
- Reversing the decrease in nursing school faculty, students and professionals.
- Extending our standards for ethical behavior, product quality and social responsibility to our external manufacturers.

ENVIRONMENTAL ASPECTS

- Assessing the risks of pharmaceuticals and personal care products in the environment.
- Continuing to reduce our environmental impacts when the most apparent and cost efficient improvements have already been made.
- Supporting stronger public policy for more responsible management of energy and the impacts of climate change.

ABOUT JOHNSON & JOHNSON

Johnson & Johnson is the world's most comprehensive and broadly based manufacturer of health care products, as well as a provider of related services, for the consumer, pharmaceutical, and medical devices and diagnostics markets. Headquartered in New Brunswick, NJ, we are a family of more than 250 operating companies employing approximately 119,200 men and women in 57 countries. Listed on the New York Stock Exchange since 1944, under the symbol JNJ, the Company had \$61.1 billion in worldwide sales during 2007.

Johnson & Johnson is organized on the principles of decentralized management, diversification in health care,

long-term perspectives, and shared values across our businesses. Our Credo, written more than 60 years ago (see back cover) articulates our responsibilities to patients, customers, employees, communities and shareholders and inspires us to make a positive difference in the world. It serves as the framework for our sustainability strategy and activities. Most importantly, in a decentralized management structure, the Credo unifies our employees. Throughout our many business dealings, when a course of action is not immediately clear, we look to Our Credo to guide our decision-making. Johnson & Johnson is still remembered today for its decisions at the time of the **TYLENOL®** product tampering, but everyday in less dramatic ways, these same values are applied everywhere we operate.



OUR STRATEGIC PRINCIPLES
 Broadly based in human health care
 Managed for the long term
 Decentralized management approach
 People and values

OUR STAKEHOLDERS AND THEIR INTERESTS

Customers	Employees	Community	Shareholders
Access to healthcare Intellectual property Counterfeit products External manufacturing Supply chain management Advanced technologies Research & development Animal welfare Health care compliance HIV/AIDS drugs Product stewardship	Safety performance Ergonomics Knowledge management Diversity Global wellness program HIV/AIDS initiative Freedom of association Employee assistance Flexible work arrangements Tobacco-free workplaces	Supplier diversity Forest products purchasing Nursing shortage Climate change Charitable contributions Partnerships Biodiversity & conservation Environmental literacy Environmental performance Packaging Transparency Benchmarking	Financial performance Governance Business conduct Business continuity Public policy

FACTS	The Company has issued dividends to shareholders every quarter since 1944.	Dividends have been raised each year for 45 consecutive years.	Sales have increased each year for 75 consecutive years.	The Company has had adjusted earnings increases for 24 consecutive years.
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OUR PRODUCTS

CONSUMER

The Consumer companies of Johnson & Johnson produce products for baby and kids care, skin care, oral care, wound care and women's health care, as well as nutritional and over-the-counter pharmaceutical products. These products are marketed principally to the general public and sold both to wholesalers and directly to independent and chain retail outlets throughout the world. Some familiar brand names are JOHNSON'S® Baby line of products, BAND-AID® Brand Adhesive Bandages, BENGAY® patches and cream, NEUTROGENA® skin and hair care products, TYLENOL® and MOTRIN®.

MEDICAL DEVICES AND DIAGNOSTICS

Our medical device companies develop, market and sell more medical devices than any other company in the world. This business segment includes a broad range of products used by, or under the direction, of health care professionals. Product lines include suture and mechanical wound closure products, surgical equipment and devices, wound management and infection prevention products, interventional and diagnostic cardiology products, diagnostic equipment and supplies, joint replacements and disposable contact lenses. Some familiar brand names are ACUVUE® Brand Contact Lenses and ONETOUCH® blood glucose meters.

PHARMACEUTICAL

Prescription medications from our pharmaceutical and biotechnology companies represent major strides in medicine since World War II. We market products in the following therapeutic areas: anti-fungal, anti-infective, cardiovascular, contraceptive, dermatology, gastrointestinal, hematology, immunology, neurology, oncology, pain management, psychotropic (central nervous system), urology and virology. Well known brands include REMICADE®, LEVAQUIN®, and PROCRI®.

ENGAGING WITH STAKEHOLDERS

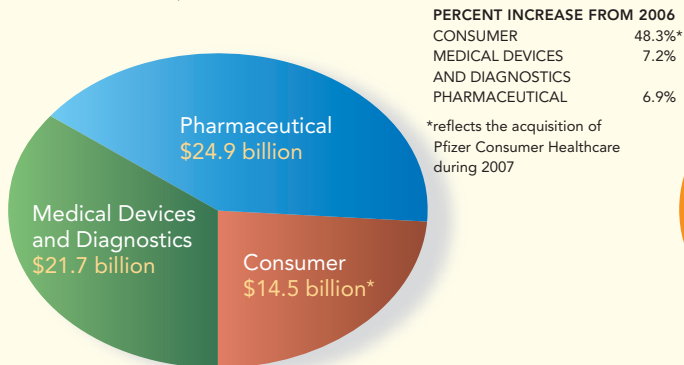
Johnson & Johnson has a wide range of communication mechanisms that enable us to solicit, hear, analyze and incorporate the opinions of the stakeholders defined in Our Credo. Our engagement pathways include formal dialogue with individual interest groups, partnerships with non-governmental organizations, consumer panels and call centers, employee surveys and active community engagement by our facilities. We do not limit stakeholder engagement to formal discussion around a table, although that is certainly a piece of our engagement process. Stakeholder engagement at Johnson & Johnson is multifaceted, intricate and constant.

In mid-2007, we expanded our engagement pathways through the launch of a corporate blog. JNJ BTW (By The Way) has created more opportunities to dialogue directly with customers, employees and other stakeholders. Our Media Relations staff makes blog entries a couple times per week and topics range from comments on industry news to discussion of our business strategies. A challenge of corporate blogging is managing the balance between transparency, legal considerations and protected business interests. Nonetheless, our blog has been very successful. We have been able to provide the context, nuance and perspective that creates a more complete picture of the Company and the ensuing dialogues are thoughtful and rich, often informing internal business decisions. Comments are allowed and encouraged, but also moderated; guidelines for acceptable content are posted on the blog. Our goal for 2008 is to bring more internal contributors to the blog, thereby increasing the breadth of topics.

Examples of other recent stakeholder interactions included a meeting with the Dogwood Alliance to discuss how Johnson & Johnson approaches forest stewardship matters, discussions with Innovest Strategic Advisors and Oxfam International regarding Access to Medicines and our biannual employee Credo survey.

DELIVERING SHAREHOLDER VALUE

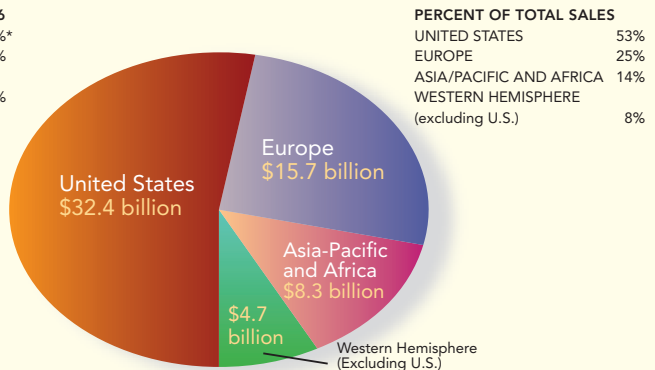
2007 NET TRADE SALES BY SEGMENT
TOTAL SALES \$61.1 BILLION



PERCENT INCREASE FROM 2006	
CONSUMER	48.3%*
MEDICAL DEVICES AND DIAGNOSTICS	7.2%
PHARMACEUTICAL	6.9%

*reflects the acquisition of Pfizer Consumer Healthcare during 2007

2007 SALES BY REGION



PERCENT OF TOTAL SALES	
UNITED STATES	53%
EUROPE	25%
ASIA/PACIFIC AND AFRICA	14%
WESTERN HEMISPHERE (excluding U.S.)	8%

FACTS

Johnson & Johnson is one of only five industrial companies with a Triple A credit rating.

Johnson & Johnson was ranked 36th on the 2007 FORTUNE 500.

Johnson & Johnson is one of only four U.S. industrial companies with a Triple A credit rating in both Standard and Poor's and Moody's.

PROFILES IN COMMITMENT

For the world's largest health care company, sustainability has a wide range of meanings. It means maximizing the opportunity for low-income patients — including those in the least-developed countries — to get affordable access to life-sustaining therapies. It means supporting health care professionals. It means adhering to the strictest standards of regulatory compliance. It means conducting responsible research. It means finding ways to do business without degrading environmental quality. And it means much more.

Indeed, sustainability means a commitment to *improving* environmental quality while promoting social equity. In years to come, nothing less will be required of the world's best corporate citizens.

To put a human face on our commitment to sustainability, we interviewed a group of Johnson & Johnson employees about their goals, their challenges, and their recent activities, particularly those that involve engagement with stakeholders.

PROFILES IN COMMITMENT

Improving Access to Health Care

Sustainability at Johnson & Johnson means we recognize our role in connecting underserved patients who need assistance, with our health care products. There are multiple ways to address this gap, including patient assistance programs, philanthropy, support for sound public policies on health care, and the furtherance of strong infrastructure to deliver health care.

There is no single solution, but improved access ultimately lies in a combination of approaches, innovative products and caring businesses. We spoke to two employees who are passionate about our sustainability activities related to access. Denise Sitarik, Vice President, Janssen-Ortho Patient Assistance Foundation has a U.S. perspective. Julie McHugh, Company Group Chairman, Virology offered the global perspective.

Q: Denise, Johnson & Johnson believes all people should have access to high-quality health care. How does the Company work to achieve this?

SITARIK: I'm pleased to report that in 2007, ACCESS2WELLNESS™, a platform that provides a single point of entry to our assistance programs, as well as links to other industry and public programs, was launched. Over the years, the number of patient assistance programs increased and the process of finding and navigating them became complex. Our ACCESS2WELLNESS™

website (www.access2wellness.com) and call center are designed to make it easier for patients, caregivers and health care professionals to access available resources, evaluate eligibility, and apply for assistance. Industry patient assistance programs offer qualified uninsured and underinsured individuals access to more than 1,000 free or discounted prescription medications.

Additionally, for nearly two decades, Johnson & Johnson operating companies have provided free medicines to millions of patients in the U.S., with more than 6.5 million units



Denise Sitarik
Vice President

Janssen-Ortho Patient
Assistance Foundation

distributed in the past five years. The Janssen-Ortho Patient Assistance Foundation (JOPAF) — a private, independent foundation — provides pharmaceutical products donated by the Johnson & Johnson Family of Companies, free of charge, to eligible patients who have no public or private prescription insurance. Over the past five years, JOPAF has provided free medicines to nearly one million patients.

We also recently implemented a pharmacy card that allows patients to obtain their medicine at a retail drug store. This not only helps patients obtain medicine quickly, but it also provides enhanced continuity of care for the patients accessing medicine through our programs.

Q: How do these Company approaches intersect with other industry approaches?

SITARIK: Johnson & Johnson played a key leadership role in the development and implementation of a program called Partnership for Prescription Assistance (PPA). Launched nationally in 2004, it is the largest private sector program in the U.S. to help patients who lack prescription coverage obtain access to all industry patient assistance programs and public programs through a single point of entry. Through the PPA, patients can access more than 475 public and private patient assistance programs and 1,000 brand and generic medicines. The PPA has matched almost five million patients with programs to assist them in accessing medicines. In addition, our operating companies participate in the Together Rx Access™ Card, which provides uninsured people meeting certain eligibility requirements with savings of 25-40 percent on hundreds of prescription drugs and products, including most of the prescription drugs made by our operating companies.

Q: Who benefits from these programs?

SITARIK: Certainly, patients are the most direct beneficiaries, but in general, society and family members benefit also. When people are healthy, they contribute more to society in general. This enhances the quality of their lives and the lives of people around them. We find many people are only looking for temporary assistance, possibly because they've lost their job and can't afford insurance. It is often short-term support until they can get back on their feet.

Long-term, when we provide medicine to patients for a

chronic condition, it may prevent having that person show up in an emergency room at an increased cost of care. Overall, the program helps to avoid a tremendous burden of costs in the health care system. If we prevent one hospitalization by giving a patient free medicine, we eliminate thousands of dollars for a two-day hospital stay. So, potentially, we're helping to keep patients out of hospital charity programs and giving them both a boost in quality of life and the ability to contribute more to society, which enhances self-esteem. It's a win-win.

Q: What are your biggest challenges — and how are you meeting them?

SITARIK: A constant challenge is to manage patient assistance programs more efficiently, in the best interest of the patient. This requires that we balance health care provider needs while managing within the governance of health care compliance, government and regulatory guidelines. The need to balance patient privacy with adequate information for the doctors and pharmacists involved in patient care is imperative. More recently, we are seeing the development of new state-level laws that govern the labeling of drugs to protect their integrity during transport. And we find that many states have vastly different regulations. We must make sure that the way we distribute drugs addresses the strictest requirements in place, so as to expedite the delivery of medicines to patients.

Q: Let's turn to the international perspective on access to health care. Julie, what are the Company's goals for worldwide access?

MCHUGH: As other companies in this arena have done, we made the commitment, through our Global Access Program, to make those HIV medicines that are approved in the U.S. and Europe accessible and affordable in developing countries hardest hit by AIDS. Our goals further and center on four pillars in the response to global infectious disease. In 2007, we launched a new program — the Tibotec-Virco Partnerships for Global Health Innovation — that responds to these pillars.

Our first goal focuses on **development strategy**. We have compounds in our pipeline, such as a tuberculosis drug candidate, that could make major contributions to treatment in developing countries where infectious disease is endemic. We will apply our development talents to bringing forward compounds that address these needs, and do it in partnership with the global public health community so that it's a no-lose situation. For example, if we could find a new treatment regimen that effectively treats or even cures tuberculosis, we would be able to help impacted nations strengthen both the health of their citizens and free up the capacity of their public health systems to tackle other health priorities. This, in turn, enables them to grow socially and economically more quickly, with the potential of becoming important future markets.

The second overall goal concerns **prevention**. We will be applying our product portfolio, especially our HIV portfolio, in novel ways to look at prevention strategies as well as treatment. All antiretroviral drugs brought onto the market today



Julie McHugh
Company Group Chairman

Virology

have been designed for treatment. However, we are collaborating with partners to evaluate whether products in our portfolio could be used in different formulations and combinations that could help prevent infection in the first place, such as microbicides or pre-exposure prophylaxis regimens.

Our third goal centers on **drug resistance**. Our Virco subsidiary is a diagnostic company that is the leading resistance expert in the world, with robust data reflecting hundreds of thousands of patient samples that help us detect patterns of resistance. We will be partnering with governmental and non-governmental organizations to help them measure resistance patterns in large multinational treatment access programs. This will allow policymakers and physicians to make better informed choices on which drug regimens are most likely to work in their parts of the world.

Our fourth goal is to develop **pediatric formulations** for all of our HIV/AIDS drugs. We are interested in working with other drug companies, and other organizations with a particular interest in this area, to share our learning and identify strategies that are particularly focused on children.

Q: What are your major challenges?

MCHUGH: One of the biggest challenges is the need to make second- and third-line antiretroviral drugs more accessible and affordable to treatment-experienced HIV/AIDS patients whose existing regimens fail. As part of our Global Access Program, in 2007 we signed a royalty-free, non-exclusive license agreement with Aspen, Africa's largest pharmaceutical manufacturer. Aspen has four manufacturing sites in South Africa and one in India. Under the agreement, Aspen registers, packages and distributes the protease inhibitor PREZISTA™ (darunavir) in Sub-Saharan Africa. Tibotec selected Aspen because of that company's extensive African distribution network and pioneering endeavors in enhancing access to AIDS treatment in resource-constrained settings. Aspen and Tibotec share responsibility for ensuring prompt and affordable access to patients in the Sub-Saharan region. There will be a single product, distributed by Aspen and sold to the patient at a price that is not to exceed \$3 per day — the lowest price in the world. In essence, Aspen is Tibotec's local partner in expediting pre-approval access, registration, and the development of sustainable supply chains to meet patients' needs in more than 20 countries.

Q: Is there a degree to which the lower cost of local labor for a company like Aspen helps bridge the gap between higher material prices and lower retail prices?

MCHUGH: Yes, that's exactly the idea. A company like Aspen is a generic manufacturer with a different cost structure than ours. For example, it is not an innovator company, so it has no cost associated with research, and its per-unit cost can be significantly lower. We're also in early discussions with other "enabled partners" in other parts of the world. These companies are in relatively low-cost labor markets like China and India. We are exploring the possibility of partnering with them to reduce the cost of goods and pass those savings along in the form of broader access for patients.

Q: Have there been any noteworthy developments in the Global Access Program, which was rolled out in 2006?

MCHUGH: Perhaps the greatest challenge, and indeed achievement, of the Global Access Program to date has been the need to make regulatory submissions in least developed countries that may often have weak national regulatory systems and bodies. However, we have made 20 submissions to date in Sub-Saharan African nations and other least developed countries and the program is continuing. Essentially, with the Global Access Program, we challenge ourselves to work with local governments on access and pricing for PREZISTA™ that both ensures that patients who need it have access and reflects the value it brings to the treatment of HIV. We will shortly expand the program beyond PREZISTA™ to our second HIV drug, INTELENCE™, which was approved in its first market, the U.S. in January 2008.

In a longer-range development, we just filed for a new indication for PREZISTA™ use in people with HIV who are starting treatment for the first time. We fully expect that it will be used not only in treating resistance but will become the frontline protease inhibitor of choice as well. In the process, we will extend the public-private partnerships that provide patients in the developing world with affordable access to the drug.

Q: What about infectious diseases other than HIV/AIDS?

MCHUGH: We are particularly interested in tuberculosis (TB) and are actively seeking out collaborations with public-private drug development partnerships (PDPs) to bring to market the first new TB compound in nearly forty years — which was discovered by Johnson & Johnson scientists. We aim to marry the expertise and creativity of the pharmaceutical industry with the public health know-how of PDPs and international agencies. The goal is to create a new model of drug development that prioritizes the health needs of developing countries.

We know we can't solve all the world's health problems on our own, but we are working hard to do our part. ☐



PROFILES IN COMMITMENT

Alleviating the Nursing Shortage

Nurses are among the most trusted professionals in the United States and they are a critical part of a strong health care system. From the earliest days of Johnson & Johnson, we have recognized and supported the great work of nurses who tirelessly care for patients and their families, providing health care expertise and patient education while comforting loved ones and showing compassion. In 2007, one of our most successful efforts — The Campaign for Nursing’s Future™ — passed the five-year mark. We asked Andrea Higham, Director of the Campaign, to reflect on the program’s success and future.

Q: Andrea, what’s going on with the supply of nurses?

HIGHAM: We are in the midst of an unprecedented nursing shortage in the United States that is expected to persist into the foreseeable future. The U.S. Bureau of Labor Statistics expects more than one million vacant nursing positions by

the year 2014. According to the U.S. Health Resources and Services Administration, 44 states, plus the District of Columbia, will be unable to meet the demand for nurses in hospitals and extended care facilities by 2020.

Some of the shortage is attributable to growing demand — more hospitals and more health care settings.



Andrea Higham
Director of the
Nursing Campaign
Johnson & Johnson

But an aging nurse population is exacerbating the shortage. Related to that, there has been an alarming decrease in nursing school faculty. In 2006, a widespread shortage of nursing school faculty caused nearly 42,000 qualified applicants to be turned away from nursing programs.

Q: Why is this situation of such concern?

HIGHAM: Well, it translates into a health care crisis that could limit patients' access to needed health care services, particularly among vulnerable populations. A study conducted by Vanderbilt University found that most nurse and non-nurse respondents (e.g., physicians) believe that the nursing shortage greatly affects communication, nurse-patient relationships, hospital bed availability, and quality of care. Fewer nurses can mean later detection of patient complications and more difficulty maintaining patient safety.

Q: What is Johnson & Johnson doing about it?

HIGHAM: In the past 25 years, we have created or supported dozens of innovative programs worldwide geared toward practicing nurses and students who might consider entering the profession. When we first became aware of the nursing shortage more than five years ago, Johnson & Johnson launched the Campaign for Nursing's Future™. It is a multi-year U.S. initiative to recruit nurses and nurse educators — and to retain nurses currently in the system — by enhancing the image of the profession and promoting educational initiatives. We have invested in advertising campaigns, recruitment materials, fund-raising programs, promotional events, children's programs, scholarships, professional mentoring, and web-based educational outreach programs.

A current area of focus is the urgent need for nursing school faculty. This year, 70 percent of the money the Campaign raises through our Promise of Nursing fundraising events, will go toward closing the gap between nurse faculty supply and demand. We are giving more scholarships to potential graduate nursing students. And we are seeking to attract more men and more minority groups into nursing education. The Campaign also continues to collaborate with professional nursing organizations, schools, hospitals and

other health care groups to promote opportunities in nursing and to increase awareness of the value of the nursing profession.

Q: You mentioned the Campaign for Nursing's Future is more than five years old; in fact, in 2007 the Campaign marked its fifth anniversary. Has it been successful?

HIGHAM: Yes! Since our launch in 2002, some 500,000 new nurses have entered the profession. Within that population, employment of young RNs has increased by 87,000 — representing the highest increase since 1987. Enrollment in baccalaureate nursing programs has increased 57 percent. Through a series of fund-raising events called the Promise of Nursing Galas, we have raised over \$12 million to date for undergraduate student scholarships, nurse educator fellowships and faculty development grants for nursing.

The Campaign's first website, www.discovernursing.com, — which we created to reach prospective nursing students, — is Google's top-ranked nursing website. It contains searchable links to nursing scholarships and accredited nursing programs. It also includes a section devoted to finding resources and tips on how to apply for loans and scholarships.

In 2007, we celebrated the relaunch of the Campaign with the release of additional materials for the nursing profession. These include new television spots, a new website, www.campaignfornursing.com, new recruitment materials and videos. As we've done with all of our previous television spots, we are showcasing real nurses making a real difference in the lives of their patients. Our new recruitment materials — *Be Someone, Be A Nurse* — will continue to increase awareness of the nursing

profession and will go even further to highlight the impact of nurses — to inspire someone, save someone, heal someone and educate someone. We are particularly proud of the 2007 release of an instructional CD for nurses. Virtual Nurse Manager trains nurses through real-life simulations of conflict resolution, complex patient scenarios and other challenging day-to-day situations.

Q: What's next for the Campaign? Are there any plans to expand it outside of the United States?

HIGHAM: Looking ahead, we are partnering with the American Association of Colleges of Nursing (AACN) on a new national scholarship program to increase the proportion of nurse faculty with minority backgrounds. The program provides financial assistance to underrepresented minority (URM) nursing students to facilitate their completion of graduate programs. AACN's latest data show that only 10.5 percent of full-time nurse faculty comes from URM backgrounds.

The nursing shortage is not limited to the United States. In fact, the Campaign has already gone international, with distribution of brochures, posters, pins and other materials in 52 countries. ■

“...Since our launch in 2002, some 500,000 new nurses have entered the profession.”

Ensuring Health Care Compliance

W

e are known all over the world for innovative, life-saving medical products and for the values we embrace in making these products available to serve patient needs. Our Credo, our Policy on Business Conduct, and our Health Care Compliance Guidelines communicate our commitment to putting patients first. We serve our patients and advance patient care by safeguarding medical decision-making from both the appearance and the fact of undue and improper financial influence. We discussed this important topic with Georgia Keresty, Senior Vice President, Compliance and Regulatory Affairs, Pharmaceuticals Group.





Georgia Keresty
Senior Vice President
Compliance
Pharmaceuticals Group

Q: Georgia, compliance is not new to the health care industry; it is a highly regulated business. Why is it a timely and important topic?

KERESTY: It’s important to first recognize that we have many different compliance areas in the Pharmaceuticals Group. We have Financial compliance. We have R&D compliance for all of our pre-clinical and clinical studies. We have Privacy compliance to ensure we protect not only our employees, but also the patients who use our products. We have compliance in the area that governs our dealings with physicians, pharmacists and nurses. We have anti-corruption compliance... so you see how diverse compliance is.

But today, we are seeing changing expectations in areas where we have not historically received scrutiny. Recently, health care companies have experienced external pressure and review in areas where we have simply been accepted and trusted in the past, for example, how we advertise and promote our products.

This begins to challenge not only our current thinking, but it also triggers a review of activities and practices that were common many years ago, when they were accepted as “industry standard”. We want our compliance programs to meet today’s standards but to also remain competitive and ahead of the curve on new thinking.

Q: How does compliance intersect with stakeholder engagement?

KERESTY: We take pride in our relationships with external regulators and other stakeholders. A big contributor to the development of our compliance programs is the concept of partnership. This means not looking at regulators as police officers, but as thought leaders who set broad standards not only for our company, but also for our industry, and sometimes for the world. Our engagement with these and other

partners is critical. It gives Johnson & Johnson a seat at the table when standards are shaped — and it gives us an opportunity to show how we balance compliance with our business objectives to succeed financially while bringing innovative products to patients. A productive engagement with regulators helps them to look at our industry, or even a particular compliance discipline, in a well rounded, balanced way.

Q: What are the compliance challenges in the pharmaceutical sector?

KERESTY: Currently, we are facing a series of new challenges in the pharmaceutical sales and marketing arena, notably the standards for relationships with physicians and other health care professionals. It is still an area that’s not well established; the standards are evolving, as litigation makes its way through the courts. To reinforce our commitment to compliance and to address the expansion of laws that regulate the marketing and promotion of health care products, the Johnson & Johnson Law Department developed a series of *Health Care Regulatory Guidance Documents for Promotional and Marketing Practices*. These guidance documents help our companies comply with fraud and abuse laws and handle customer transactions and relationships appropriately. They can be found on our website and are available to all employees.

Q: So, where does accountability for compliance lie?

KERESTY: Whether it’s a managing director, a sales representative, a manufacturing operator or an information technology programmer, everyone contributes to our compliance program. We all need to know the rules and how our job affects different compliance areas. There’s an understanding at Johnson & Johnson that compliance with laws and regulations isn’t divided into small factions. It doesn’t rest with the oversight staff, with the EHS staff, with the product quality staff, with the privacy staff or with the audit staff. Instead, it rests with every single employee in the Company. Accountability is part of everyone’s day-to-day job, regardless of his or her level and regardless of his or her job.

If we do well as a Company, that’s saying that everyone contributed — but if we don’t do well, it’s not as if blame can be localized to one individual area. Accountability can’t sit in an isolated corporate office. It’s Company-wide, and the personal responsibility of every employee. For us to perform well in every area that is compliance-based, every single person has to understand how to contribute to that compliance performance. ☑

“Accountability can’t sit in an isolated corporate office. It’s Company-wide, and the personal responsibility of every employee. For us to perform well in every area that is compliance-based, every single person has to understand how to contribute to that compliance performance.”

Conducting Responsible Research

Research is the way we discover innovative new products that serve our customers and grow our business. But responsible research — ethical conduct at all phases of discovery and development — is how we increase the level of trust accorded to our science and thereby, our products. We would not be in business very long without this trust. We spoke to Harlan Weisman, M.D., Chief Science & Technology Officer in our Medical Devices & Diagnostics business about responsible research in the Johnson & Johnson Family of Companies.

Q: Harlan, it's an exciting time for research and there are many new technologies and dramatic breakthroughs. How do the operating companies of Johnson & Johnson remain vigilant to the potential risks of these technologies?

WEISMAN: We take the responsibilities that come with new technologies very seriously. Vigilance demands that we remain attentive to many considerations; for example, environmental impacts, worker health and safety, patient safety, cost, and product quality. This requires strong internal collaboration between our subject and functional experts such as clinicians, environmental scientists, chemists, engineers, toxicologists, pharmacologists and others. When our own resources have limits, we will also engage with external experts from government, academia, non-governmental organizations and trade organizations.

It's important to also note; Johnson & Johnson has an *Ethical Code for the Conduct of Research and Development* (see our website). This code requires us to place the well-being of the patient first and ensure that the best interests of patients and physicians who use our products always come first; to apply our Credo-based values and judgment to the design, conduct, analysis and interpretation of clinical studies and results; to adhere to the principles of good clinical practice; and to challenge each other regarding medical and ethical concerns.



Harlan Weisman, M.D.
Chief Science &
Technology Officer
Medical Devices &
Diagnostics

Q: Nanotechnology is still quite new. Can you comment on its potential?

WEISMAN: Recent scientific advances have made it possible to work with very tiny materials measuring only one to 100 nanometers. To put that in context, a nanometer is one billionth of a meter — or about the size of a marble when compared to the earth. The ability to manipulate materials and processes at the nano-level holds great hope for improving the effectiveness of drug delivery to targeted sites in the body. For example, we are investigating nanotechnology as a more efficient way to add anti-infective and anti-coagulant drugs to implanted medical devices. In some cases, we believe that engineering at the nano-level may make the surface of a device so infection-resistant that it wouldn't be necessary to add an antimicrobial drug. In our laboratories, we're studying the design features of nano-surfaces in the natural world — from the ultra-smoothness of a shark's skin, to the ultra-stickiness of a gecko lizard's footpads — to see whether we can mimic their properties in implanted devices and surgical bandages, respectively.

All of this must be done with a measure of caution. As with all ingredients, we continually work to ensure the highest levels of purity and safety. Our scientists participate in nanotechnology scientific forums, research the environmental impact of nano-sized particles, investigate product safety, and develop advanced protective methods for working with nano-size material.

Q: Stem cells have also shown promise for the treatment of many diseases. Does Johnson & Johnson conduct stem-cell research?

WEISMAN: We have a number of active stem cell research programs in Johnson & Johnson. One of our teams is investigating whether stem-cell technology could be effective in



treating blindness caused by retinal disease. We are also looking at whether stem cells could be effective in treating diabetes and strokes. In regenerative medicine, we are looking at whether transplanting a patient's own tissue could regrow cartilage in damaged areas.

In recognition of the potential importance of stem cells in research and development, we have established the Johnson & Johnson Committee on Human Stem Cell Research to assure that the highest scientific and ethical standards are maintained in all research programs involving such cells. The Committee's membership includes representatives from Corporate Law, Corporate Communications, the Corporate Office of Science and Technology, senior leaders in R&D from around the Company, and external experts in bioethics and health care.

Q: How does the Company factor environmental considerations into its research?

WEISMAN: I've spoken with many leaders in our R&D organization. Our employees have really taken environmental responsibility to heart as a Credo-based value — and they are endeavoring to be mindful of it from the earliest stage in the R&D continuum to the final stage of bringing a product to the marketplace. We are using Design for Environment principles, green chemistry practices and a "Safe Science" tool to design new manufacturing processes and reformulate products to reduce or eliminate the use or release of hazardous chemicals. This protects our employees and 'greens' the products we take to market.

There is an excellent success story in the new clinical chemistry technology area of our Ortho-Clinical Diagnostics (OCD) business that makes diagnostic equipment such as blood analyzers. OCD is engineering water conservation, energy savings, and noise reduction into its products. We believe that OCD is the only company in the diagnostic instrumentation industry with products that require no connection to fresh water, create no hazardous or infectious wastewater, and contribute a minimum of noise to a lab environment. In 2007, OCD also modified its reagent products to eliminate the use of thimerosal, a mercury-containing preservative.

Q: There is understandable public concern about the use of animals in research. How does Johnson & Johnson manage animal welfare?

WEISMAN: The ethical and humane treatment of animals required for scientific investigation is both a moral and regulatory responsibility. *Our Policy on the Humane Care and Use of Animals for Laboratory Research* encourages the conservation of animal resources, promotes the use of alternative testing whenever possible, and emphasizes humane treatment. All of our facilities meet or exceed international regulations governing laboratory animal care and use.

Significantly, R&D leaders at Johnson & Johnson are looking for alternatives to animal testing as a prelude to testing the safety and efficacy of our products on humans. One notable development is a transparent test chamber that allows laparoscopic surgeons to train in a technological model that closely simulates a biological environment.

Q: What do you think is the greatest R&D challenge right now?

WEISMAN: I would have to say our greatest challenge is making exciting new medical advances and technologies affordable to the health care system and accessible to those who need it. For health care researchers, we are living in a great time; we have accomplished unbelievable things. The mysteries of the human genome have been unraveled. The molecular basis of disease is now understood in remarkably detailed fashion. We have developed computing technologies that allow us to process vast amounts of information, and we have the internet, which provides for instant connectivity. We have the ability to prevent diseases and promote health in very targeted ways. We are even in a position of curing some diseases outright, through cellular science and biotechnology. Research has put all these wonderful advances in our grasp, but we have to demonstrate their value and then use these advances to make health care products that are affordable and accessible. ☑

Advancing Product Stewardship

As the science grows stronger, the implications of Earth’s growing population are becoming more clear. Natural resources are diminishing and social systems and cultures are stressed. There is growing consumer awareness and interest in sustainability and corporate responsibility. New laws are being proposed and enacted around the world that are putting a focus on raw material sourcing, product ingredients, packaging and other aspects of our business that are well beyond the manufacturing process alone. We sat down with Frank Konings, Vice President, Global Markets R&D for our Consumer Products business segment to discuss the increasingly important role of product stewardship.

Q: Frank, what does product stewardship mean for a consumer products business?

KONINGS: Product stewardship means taking a product-centered approach to product safety, environmental protection and social responsibility. As a manufacturer, we have a long history of protecting the environment during production by reducing waste and controlling emissions — activities “within our fenceline”. Product stewardship means we acknowledge our expanded responsibility to reduce the environmental impacts of our products “outside the fenceline” such as the carbon footprint of transporting the product and the energy that is consumed by making the ingredients at our suppliers. It also means we are considering the social impacts of producing and selling our products, such as labor conditions where we source our raw materials and how society is impacted by our products.

Q: Consumers are one of your obvious stakeholders. Are there others you engage with?

KONINGS: All of our products are designed with the consumer in mind. Ultimately, the consumer makes the choice between competing products. Unlike the patient with a prescription for a particular drug, the people who buy freely available products like baby lotions and adhesive bandages have a wide range of choices and the option, at any time, to choose a product from a company they might perceive as more ethical or responsible. We operate customer care centers to receive consumer feedback and we also use focus groups and panels to listen to this primary stakeholder.

The Consumer Group of Companies also engages with retailers and non-governmental organizations (NGOs). As two of our large retailers, Wal-Mart and Tesco, have adopted their



Frank Konings
Vice President
Global Markets R&D
Consumer Products

own sustainability goals, we have in effect become partners with them to improve the environmental profile of our products. On the NGO front, there have been a number of movements, including those expressing concerns about the use of laboratory animals, the sourcing of paper products and the risks of some preservatives. We engage with these groups and industry peers to understand the concerns, participate in the scientific debate behind the concerns and if need be, weigh in on emerging regulations.

Q: It seems consumer products are less regulated than pharmaceuticals and medical devices, yet more sensitive to the opinion of your customers. Do you agree? What do you do to manage that?

KONINGS: I do agree. If there is public sensitivity about our ingredients for example, stores could refuse to stock and sell our products, which could mean lost revenue, even if the



Packaging Director Renato Wakimoto stands in the Brazil eucalyptus farm that provides pulp for our BAND-AID® Brand boxes. The Forest Stewardship Council has certified the forest as being responsibly managed.

Q: What are some of your current challenges?

KONINGS: Well, I mentioned the concerns about the use of laboratory animals. It is aimed at the use of animals during the testing of cosmetic products. The European Union has a very stringent law that will become effective in 2009 that bans any ingredient that touches an animal for use in cosmetic products. Ahead of this law, many countries and store chains are already electing to comply with it and rejecting products they regard as inappropriate or environmentally irresponsible. We have been moving out of animal testing and investing in alternatives, but this is not yet obvious because many countries continue to require animal testing for safety purposes.

Another recent example concerns parabens. While perfectly legal as a preservative, NGOs have expressed concerns about their use. We are reformulating our baby products into paraben-free formulations even though the science is equivocal. This is an example of societal pressure demanding change ahead of, or even instead of, the regulatory framework. Both impact the choices we make.

product is meeting existing regulations. To manage these risks, we have an emerging issues team that monitors the external environment to identify potential issues and we factor that knowledge into our new product research and business planning. We want to proactively identify these issues and our customer's perspectives so we can attune our activities to the strictest requirements, be they legal strictures or societal pressures.

Robust product stewardship moves us to make changes before legislation might force us to do so. Right now, our formulators have an electronic design system that helps them see the estimated cost of goods as they are mixing and matching different ingredients. A future expansion of this tool will allow us to better analyze and minimize environmental impacts early in the development process. This would enable us to weigh environmental impacts alongside cost and performance, and make better choices.

Q: Do you expect your product stewardship program to return value to the business?

KONINGS: Yes, it will. There is substantial business opportunity in product stewardship. By rethinking our products, our relationships with the supply chain, and the ultimate customer, we create new opportunities to increase our own productivity, reduce costs, increase employee safety, innovate, and give customers more value. An example of this would be the standardization on a smaller number of raw materials. Not only does it enable us, stewardship-wise, to better control material quality (for example, trace impurities), but it also allows us to buy larger volumes of fewer materials, thereby reducing cost. Similarly, if we can build our line of skin care products as variations around the same core formula, that will keep the overall carbon footprint down because that formula can be made more efficiently in larger batches. At the same time, though, this is a more cost-effective way to manufacture. ☑



PROFILES IN COMMITMENT

Addressing Climate Change

Climate change is real. There is compelling evidence from the scientific community that human activity is responsible — that the greenhouse gasses (GHG) our society emits are contributing to global warming. We believe that, gone unchecked, a changing climate will pose significant threats to human health. We have been taking action to reduce the GHG emitted from our operating companies for many years. In 1999, we set a goal to reduce GHG emissions from our facilities worldwide. This goal became the basis for our *Climate Friendly Energy Policy* (see our website) that was approved by our Executive Committee in 2003. Johnson & Johnson's Senior Director of Global Energy, Dennis Canavan, spoke with us about the Company's commitments in this area.

Q: Dennis, Johnson & Johnson has an aggressive goal to reduce emissions of its primary GHG, carbon dioxide (CO₂). Are you using renewable energy sources to do that?

CANAVAN: Yes, that's one of the ways. Our goal for 2010 is to be 7 percent below our 1990 levels in absolute terms. This is

aggressive in a growing company and achieving it requires actions on a number of fronts. It begins with our operating companies implementing engineering changes and equipment upgrades to reduce energy consumption. Next, we look for opportunities to install cogeneration systems on our sites, whereby we generate electricity and recover the heat from the process to maximize the overall efficiency. We have also



Dennis Canavan
Senior Director
Global Energy
Johnson & Johnson

installed on-site systems that make use of solar, geothermal, biomass, landfill gas, and other forms of renewable energy. Another way we achieve our goal is by purchasing electricity generated from renewable energy and by purchasing Renewable Energy Certificates (RECs) and carbon offsets.

Q: What's the biggest challenge your operating companies have?

CANAVAN: Without question, it's attaining an absolute reduction of CO₂ while our business continues to grow. This is the same challenge facing all companies and countries. To avoid the most damaging effects of climate change, experts believe that global GHG emissions must be reduced by 60-90 percent by 2050. So, as our sales increase, our GHG emissions must be moving in the other direction — and eventually, without help from purchased RECs and offsets.

Another challenge we face is to account for the GHG emissions from our entire supply chain, as well as from the use and disposal of our products. In the future, we would like to influence our business partners (suppliers, contract manufacturers and carriers) to measure, report and reduce their GHG emissions.

Q: RECs and offsets have been a bit controversial. Why use them?

CANAVAN: We have completed many cost-effective projects to improve our efficiency and make use of renewable energy. But we have not been able to do this at the pace and scale needed to meet our absolute GHG reduction goal. RECs and carbon offsets provide a mechanism for us to support renewable energy projects on a scale that is not practical on our sites, such as large wind farms and biomass projects. This strategy is consistent with a market-based, cap-and-trade system that is a fundamental part of most of the regional and international agreements in place to address climate change. In 2007, our operating companies spent about \$1.5 million on RECs, offsets and green power premiums. All are verified by a third party as being traceable to credible projects. For instance, all RECs purchased in the U.S. are "green-E certified" by the Center for Resource Solutions.

For the moment, absent universal comprehensive legislation, this voluntary system of offsets offers a reasonable short-term

solution. Longer-term, we support a mandatory cap-and-trade system that would require everyone to reduce GHG emissions and in which offsets would be regulated.

Q: In May 2007, Johnson & Johnson became a partner in USCAP — the United States Climate Action Partnership. What is the significance of this?

CANAVAN: USCAP is a unique coalition of U.S.-based corporations and environmental non-profit organizations that speak with one voice for good federal policy on climate change. Together, we are asking government policymakers in the U.S. to create a mandatory, market-driven approach to climate protection. Through USCAP, we are advocating for the enactment of climate legislation that is environmentally effective, economically sustainable, fair to all economic sectors, geographic regions and stakeholders, and that creates incentives for technology innovation. Our recommendations include a national cap-and-trade system that is linked to an international carbon offset market.

Our membership in USCAP was a natural fit considering our history of advocacy regarding climate change. Johnson & Johnson was a charter member of Climate Savers (World Wildlife Fund), The Climate Group (based in the United Kingdom) and the Green Power Market Development Group (World Resources Institute). We have publicly called for the establishment of a long-term production tax credit for renewable energy projects in the U.S. and we have supported climate change legislation in California and New Jersey. In 2007, at the international level, Johnson & Johnson Vice Chairman Christine Poon signed a petition (The Bali Communique) on the Company's behalf urging world leaders to expedite an international agreement on capping GHG emissions. This Communique was presented at the United Nations meeting on climate change in Bali.

Q: Can you tell us about your progress? What were some of Johnson & Johnson's notable 2007 accomplishments?

CANAVAN: From 1990 to 2007, while our worldwide sales increased by over 400 percent, Johnson & Johnson companies cut CO₂ emissions by 12.7 percent on an absolute basis. This includes the impact of RECs and carbon offsets.

Contributing to this success, we opened two more solar power installations in 2007. ALZA Corporation in Vacaville, CA opened a 1.1-megawatt solar power system that covers 6.5 acres and will offset 17,000 tons of carbon emissions during its 25-year life. ALZA develops and manufactures drug delivery systems, and has a heavy, around-the-clock demand for power. When the sun is shining, the solar energy system produces about one-third of the needed power. We also opened a 0.5-megawatt solar energy system on the roof of Johnson & Johnson Pharmaceutical Research and Development, LLC in Raritan, New Jersey. This was our tenth solar installation in the U.S.

Other renewable energy projects are being implemented around the world. Our second geothermal system is under

BY THE NUMBERS

12.7

Percentage absolute reduction of CO₂ from fixed sources when compared to 1990

10

Solar installations at our U.S. operating companies

4.1

Megawatts of solar power generated from our U.S. installations

2

Rank as a corporate user of on-site solar energy, according to the World Resources Institute

36

Percentage of our worldwide electricity use that comes from a renewable resource

7

Rank as a large purchaser of renewable energy in the U.S., according to the U.S. EPA

16.3

Average percentage internal rate of return from CO₂ reduction projects

6

Consecutive years Johnson & Johnson has received a Green Power Partnership award from the U.S. EPA

5

Annual reports made to the Carbon Disclosure Project (www.cdproject.net)

4

Buildings certified by LEED (www.usgbc.org/leed)

978

Hybrid cars on the road in the U.S. (and 508 more on order)

1

Rank in size of corporate hybrid fleets in the U.S. according to *Automotive Fleet Magazine*, October 2007



This 1.1-megawatt solar power system provides about one-third of the needed power for ALZA Corporation in Vacaville, CA when the sun is shining.

construction in Limerick, Ireland, and at a recently constructed biotechnology facility in Cork, Ireland we are installing the capability to use wood pellets as boiler fuel.

We are also working to improve the efficiency of the fleet of automobiles that we operate worldwide. According to a study conducted by *Automotive Fleet* magazine in October 2007, Johnson & Johnson has the largest corporate fleet of hybrids in the U.S. As of March 2008, we have 978 hybrids on the road and 508 more on order. Our target is to have 1,600 hybrids on the road by the end of 2008.

Q: Health care companies do not have a large GHG 'footprint' relative to some other industries. So, why has Johnson & Johnson taken such a leading stance on climate change?

CANAVAN: According to the United Nations Intergovernmental Panel on Climate Change, global GHG emissions from human activity were 49.0 billion metric tons in 2004 (Fourth Assessment Report, *Climate Change 2007: Synthesis Report, Summary for Policymakers*). In 2007, our operating companies emitted less than one million metric tons of CO₂ to the atmosphere from the use of fuel and electricity at our facilities around the world. While our emissions are a relatively small part of the total, it will take the collective action of many to prevent the adverse consequences and costs of climate change.

We believe we have a responsibility in this area, even if the impact of our efforts alone may seem insignificant compared to the magnitude of the challenge we face. In addition to fulfilling our social responsibility, the investments we have made to reduce CO₂ emissions have returned good value to the Company. In the last three years, through our CO₂ Reduction Projects Funding Process, we have committed \$97 million for the construction of forty-nine projects, many of which are already complete. In addition to reducing CO₂ emissions by 88,000 tons per year, these projects collectively will provide an Internal Rate of Return of 16.3 percent. Smart energy choices are good for the planet, and good for business. ☑

See page 29 for a discussion of our fleet emissions.

Supporting Sustainability in Our External Supply Chain



The Johnson & Johnson Family of Companies operate 150 manufacturing plants around the world. However, these plants represent only a fraction of our entire supply chain, a large and complex network of thousands of suppliers whose materials, products and services help us supply the marketplace with innovative healthcare products. We constantly strive to do business with companies that share our values for product quality, environmental protection and social responsibility. We asked Mike McGranaghan, Chief Procurement Officer, to reflect on sustainability in our external supply chain.

Q: Mike, what does it mean to have a sustainable supply chain and why is it important?

MCGRANAGHAN: Sustainability in a supply chain means we are considering social and environmental impacts as we manage materials and services from our suppliers to our customers. From purchasing decisions like where we source paper, to distribution and logistics decisions that could impact our contribution to climate change, we can use our considerable purchasing power to influence our suppliers. Society is asking more from us. We are increasingly being expected to ensure that our suppliers are mindful of their environmental and social responsibilities, and it's important that we provide leadership in this area.

Q: So how sustainable is the supply chain for the Johnson & Johnson Family of Companies?

MCGRANAGHAN: Great question — and a tough one! We have some real pockets of excellence — for example, a long-term supplier diversity program, forest products purchasing guidelines, an environmentally friendly transportation program and external manufacturing standards. But in any large, global supply chain, robust sustainability is complex and rife with opportunity. Inherent in the traditional approach to business, we're good at managing our supply chain for operational efficiency and financial performance, but I think we're going to find a lot of opportunity as we continue to mature our sustainability efforts.



Mike McGranaghan
Chief Procurement Officer
Johnson & Johnson

Q: How does the Company share its values with suppliers?

MCGRANAGHAN: Because we hold ourselves to high standards of ethical behavior, product quality and social responsibility, we want to do business with like-minded suppliers. Our purchasing agreements include an expectation of compliance with legal requirements related to business conduct, labor and employment practices, our Employment of Young Persons policy, and environment, health and safety (EHS) regulations. We also have Standards for Responsible External Manufacturing that help us select manufacturing partners who operate in a manner consistent with our values. At the end of 2007, we had shared these with and/or integrated these Standards into formal contracts with more than 80 percent of our external manufacturers (EMs).

Q: How do you gain a sense of comfort that your external manufacturers are acting responsibly?

MCGRANAGHAN: We are using a combination of site visits, questionnaires and assessments. It's our goal that 100 percent of our EMs will be in conformance with the Standards by 2010. At the end of 2007, we had evaluated nearly 20 percent of our EMs. For the more mature aspects of our Standards (such as EHS, quality and the employment of young people), we have a high level of confidence that our EMs are in conformance. But, as we are just starting to collect data around labor and ethics, we are not yet able to report our progress towards full Standards conformance.

I want to make a point about the challenges in this whole area. Every day, it seems we hear news of corporations that have encountered a problem that traces back into the supply chain. It's extraordinarily difficult to have full comfort due to the complexity of global supply chains these days. Our own mix of EMs can change from year to year, and even with our assessments, they are just a point-in-time perspective. On top of logistical challenges, assessment practices need to be adapted for differences in social norms that vary by country and by culture.

Q: You mentioned environmental issues; can you give some examples of how they are reflected in the supply chain?

MCGRANAGHAN: I'll mention two areas — purchasing forest products and understanding the carbon footprint of our supply chain. *Our Forest Products Purchasing Guidelines* (see our website) are relatively new. We issued them in 2006. They were designed to help our business and procurement professionals make decisions on paper products and paper-based packaging in alignment with our environmental and sustainable forestry goals. The guidelines recognize the need to understand the source and content of each product and, if that source appears high-risk, to verify its legality. We recommend that our business and procurement professionals seek products with more than 30 percent recycled content, products with fiber from certified forests, and products manufactured with chlorine-free processes.

At this early juncture, our more than 250 operating companies are at many different stages along the implementation path. Befitting the operating freedom that is characteristic of Johnson & Johnson's decentralized business model, the guidelines for forest product purchasing are broad enough to allow flexibility in application across our operating companies.

Q: What's going on relative to the carbon footprint of your supply chain?

MCGRANAGHAN: We have begun partnering with our Global Energy group to address an issue that is just cresting the horizon — how to measure and manage the carbon footprint of our external manufacturers and our products. We routinely account for the environmental impact of our own facilities and those we lease. However, at this point, we don't capture information from our suppliers to account for the portion of their emissions that result from the manufacture of our products. Parenthetically, few large companies do; it's quite a difficult task. It's our hope, moving forward, to encourage our suppliers to be transparent about their own carbon emissions.

Q: What is the Company doing regarding transportation of its goods?

MCGRANAGHAN: The Global Transportation Organization (GTO), a division of the Johnson & Johnson Sales and Logistics Company, LLC that handles shipping for our three business segments, is participating in the U.S. Environmental

Protection Agency's SmartWay program. SmartWay is a voluntary collaboration to increase transportation energy efficiency while significantly reducing greenhouse gases and air pollution. GTO's accomplishments have been pretty impressive. First, in the U.S. and Canada, they increased the amount of business shipped by rail, instead of by truck, by 18 percent from mid-2006 to year-end 2007, thereby decreasing net emissions. Second, they began encouraging carriers to become SmartWay shippers, and used SmartWay participation as a factor in the selection of carriers. In 18 months, GTO increased the amount of business awarded to SmartWay carriers by 30 percent. GTO gave 73 percent of its business to SmartWay carriers in 2007. In partnership with GTO, the Sales and Logistics Company has reduced the total number of truck shipments

by more efficiently utilizing trucks and filling trailers.

There is a very exciting technology that has also resulted in remarkable emission reductions. Carriers are retrofitting their trailer trucks with double-wide tires, which reduce the number of tires from 18 to 10 and correspondingly boosts the truck's fuel efficiency. One household-name carrier GTO is helping to become SmartWay-certified has increased its truck miles per gallon to 7.1 from 6.1 through installing double-wide tires and speed governors on its trucks. In the trucking industry, that translates into direct reductions in fuel costs and associated CO₂ emissions.

“We have begun partnering with our Global Energy group to address an issue that is just cresting the horizon — how to measure and manage the carbon footprint of our external manufacturers and our products.”



Q: Earlier, you mentioned supplier diversity as a pocket of excellence. Can you tell us more about it?

MCGRANAGHAN: Supplier diversity is a mature program that has been widely implemented and already has a long track record of success. Since the program was founded, our operating companies have spent over \$5 billion with minority- and women-owned businesses, and hundreds of millions with veteran-owned businesses. By including minority businesses in our supply chains, we create jobs and wealth in minority communities. One great example is a multi-year contract we have with a minority-owned business that created several hundred new jobs. Since these were entry-level positions, it meant that many of the new employees had access to health insurance for the first time. By including women-owned businesses in our program, we reflect the importance of the women who buy and use our products, and the women physicians who recommend our products. By including U.S. veteran-owned and service disabled veteran-owned small businesses, we can give back to those who have given so much to their country. In 2007,

our supplier diversity program was honored by the Women's Business Enterprise National Council as a "Top Corporation for Women Businesses" and by the Women Presidents' Educational Organization as "Corporation of the Year."

One of the supplier diversity challenges we face is maintaining the diversity balance when economic trends toward low-cost sourcing, supplier rationalization and outsourcing tend to increase the use of publicly held companies. We are addressing this by continuing to strengthen the supplier development program in place for minority- and women-owned businesses and small businesses; by increasing internal education to explain the benefits of supplier diversity to Johnson & Johnson business partners; and by helping to identify new strategies, such as encouraging joint ventures between diverse/small suppliers and publicly held suppliers.

There will always be opportunities for us to do more in our external supply chain. ■

MORE

About Our Business Practices

The Johnson & Johnson *Policy on Business Conduct* governs our business practices around the world. Translated into multiple languages, senior managers certify annually that their organizations comply with the policy. Key elements covered in the policy are conflict of interest, compliance, antitrust, environmental laws, health care compliance, employment and labor laws, political activities and trade secrets. All of our business policies are available on our website. Other practices are discussed alphabetically below.

BENCHMARKING

Johnson & Johnson and its operating companies use benchmarking — internal and external, formal and informal — to improve practices and performance across geographies, business lines and functional units. In 2007, we conducted benchmarking to help establish our new Safe People goals (see page 27) and to evaluate/improve our sustainability reporting. An aspect of external benchmarking that is challenging for us is the uniqueness of Johnson & Johnson — there are no other companies with the same three business segments. This makes data comparison with “peers” difficult. We are sometimes able to segment our own data and identify companies similar to our segments, but transparency in the medical devices industry is fairly limited.

BUSINESS CONTINUITY PLANNING

Each of our operating companies and facilities have implemented a Business Continuity Plan (BCP) to ensure that employees, facilities and products remain safe and secure, and that the ability to serve customers remains uninterrupted. BCP maintains a state of preparedness for disruptive events, natural or man-made. While conceived to address worst-case catastrophic events, our plans have also been deployed in less severe situations, such as network outages and supply chain disruptions. After each situation, the response is reviewed to see if the BCP can be strengthened.

CHARITABLE GIVING

Johnson & Johnson and its operating companies give charitable contributions in the form of cash and non-cash donations to nonprofit groups and programs around the world. Charitable giving, part of our Company’s heritage for more than 100 years, is inspired by Our Credo responsibility to the communities in which we live and work, and to the world community. Our primary focus is on making life-changing, long-term differences in human health by targeting the world’s major health-related issues. We work to fulfill this through community-based partnerships. The Company’s efforts focus on:

- Saving and improving the lives of women and children
- Building the skills of people who serve community health needs, primarily through education, and
- Preventing diseases and reducing stigma and disability in underserved communities where Johnson & Johnson has a high potential for impact.

To obtain the best insight into the needs of people, we partner with community-based groups that are experts in their fields and their communities. Our funding decisions are based on a set of guidelines and objective assessments of where the need is greatest and where we believe we can do the most good. A global team, including some senior executives in the Corporation, carefully reviews our charitable giving programs and projects. Charitable contribution guidelines are

posted on our website. Read more about our charitable giving on pages 34-35.

CONFIDENTIAL HOTLINES

We provide anonymous telephone hotlines for employees to report possible ethical breaches or unlawful acts, without fear of reprisal. Each country where we operate has a single hotline and callers are greeted in their local language. In addition to the telephone program, we recently launched a website which allows users to anonymously report policy violations through the internet. All reports are fully investigated and appropriate actions are taken in a timely manner. Compliance with the Policy on Business Conduct is evaluated as part of our internal business audit program and discussed by the Corporate Compliance Committee.

COUNTERFEIT PRODUCTS

Johnson & Johnson is working to protect the integrity of its products, and our customers, from counterfeiting. We have taken various steps to ensure the safety and well-being of our patients and consumers, including the use of state-of-the-art anti-counterfeiting technology in product packaging; policies that ensure that wholesalers and distributors of our products obtain them directly from the Company; and means of product verification for our customers. Moreover, the Company utilizes a counterfeit product action plan in the event it is determined

that a counterfeit product has been identified. Through this plan, the Company's Worldwide Security department facilitates a number of actions, including a thorough investigation to identify the distributor(s) and manufacturing site.

GOVERNANCE

There are twelve members of the Johnson & Johnson Board of Directors. Ten of these directors are independent directors under the standards of the New York Stock Exchange. The other two directors are members of management. CEO William C. Weldon is also the Chairman of the Board of Directors. Our *Principles of Corporate Governance*, available on our website, establish Director qualifications. Directors meet independently several times a year, and have full and open access to all officers and employees of the company. The Board of Directors has a standing Audit Committee, Compensation & Benefits Committee and Nominating & Corporate Governance Committee. Other committees include the Finance Committee, Public Policy Committee and the Science and Technology Committee. For more information on these committees and our Board of Directors, see our website.

INTELLECTUAL PROPERTY

The operating companies of Johnson & Johnson rely heavily on the intellectual property protections offered by the U.S. patent system and its counterpart systems around the world. Patents are critical to maintaining innovation in the pharmaceutical and biotechnology industries. It routinely takes 10 years or more, and hundreds of millions of dollars, to develop, test and obtain approvals for a single product. Patent protection weighs heavily on business planners when deciding whether to go forward with the investment needed to develop a potentially promising new drug. We routinely review hundreds of patents during product development, make appropriate design changes to avoid the patents of others and/or obtain appropriate licenses or legal opinions prior to launching our products. Nonetheless, Johnson & Johnson companies do from time to time

become involved in patent litigation, finding themselves defendants about as often as plaintiffs.

Johnson & Johnson supports a patent system that fairly rewards those who contribute to society through the invention and development of new and useful products and processes. A fair and reliable patent system stimulates the investment in innovation that is necessary in today's technologically complex world, enabling the creation of new products and processes that benefit society.

KNOWLEDGE MANAGEMENT

Sustainable growth for our business depends on Johnson & Johnson employees collaborating to find innovations. In 2006, we launched a search engine that locates internal expertise by brokering a request for assistance to potentially perfect responders. LINK (Leveraging Internal Knowledge) works by indexing terms from participant's outgoing emails. We set an aggressive target to enroll our entire R&D community in 2007 and we met that goal. The LINK network is now over 14,000 employees and more than 500 new questions were posted during 2007. Successful connections are producing powerful results, such as accelerating our problem solving capability.

PRICING

The prices we set for our products help us to cover our research, manufacturing, education and marketing costs. And, they allow us to provide a return to our investors so future investments will enable us to conduct more research and bring new medical advances to people.

In the United States, we work to keep our net price increases for health care products within the Consumer Price Index (CPI). A government measurement, the CPI is calculated by gauging price changes across a wide array of products and weighing these changes against the percentage of income that typical consumers spend to purchase these products. The result is the "weighted average compound growth rate." From 1996 to 2006, the weighted average compound annual growth rate of Johnson & Johnson net price increases for prescription and over-the-counter medicines and hospital

and professional products was below the U.S. CPI.

As the cost of raw materials and other expenses continue to rise, we work to keep our price increases modest and still maintain competitive profit margins by producing our products more efficiently, by reducing operating costs, and by improving our productivity. We also look for new ways to design and package products such as baby shampoo and blood glucose monitoring systems so they meet different needs and enable more people around the world to afford our products. We are committed to affordable healthcare, and will continue our efforts to balance the need for affordable medicines with the costs incurred in bringing new products to market, while remaining a viable economic enterprise.

PUBLIC POLICY

The mandate of the Public Policy Advisory Committee includes oversight and review of:

- the Company's policies, programs and practices on public health issues regarding the environment and the health and safety of its employees, and,
- the Company's governmental affairs and policies, both in the United States and internationally, with an emphasis on national health care policies impacting access, pricing, regulation and use of medicines and medical devices.

In addition, the Committee reviews public policy topics as determined by the Committee members, such as our initiatives in the HIV/AIDS area. As part of its oversight role in governmental affairs and policies, the Committee also annually reviews the Company's political contribution policies and practices.

We also have a comprehensive task force comprised of business and technical leaders which identifies and evaluates emerging issues that require greater study and understanding. For each key issue, a subcommittee investigates the nature of the issue, various points of view and potential business impacts. Among the topics considered to date are pharmaceuticals in the environment, endocrine disrupters, genetically modified organisms and nanotechnology.

MORE

About Our Workplace Practices

The success of Johnson & Johnson is intertwined with employee satisfaction and well-being. Employees are more determined, innovative and passionate when they feel valued. We have a responsibility to respect employees, recognize merit, compensate fairly, assure equal opportunity and provide safe and healthy workplaces. We have a number of policies supporting these obligations; they can be found on our website. Here we discuss a number of our workplace practices, presented in alphabetical order.

ADVANCEMENT OF WOMEN

The mission of the Women's Leadership Initiative (WLI) at the Johnson & Johnson Family of Companies is to support the leadership development initiatives of Johnson & Johnson with strategies and actions focused on increasing the number of women in leadership positions and developing women's leadership competencies. WLI also works to foster inclusive organizational environments and increase recognition that diverse leadership will enhance the effectiveness and business success of our companies. Launched in 1995, WLI now has 47 chapters worldwide and has helped make us the employer of choice for talented women in the health care industry.

AFFINITY GROUPS

Affinity groups are voluntary, employee-driven associations organized around shared interests or characteristics. These groups allow individuals to share experiences, provide advice and address unique member concerns. As they have grown, affinity groups have become more prominent and involved in initiatives that go beyond simply serving their membership. They now play an integral role in advancing diversity and inclusion throughout our Family of Companies. Affinity groups also provide valuable insight into market opportunities within the groups they represent.

COLLECTIVE BARGAINING/ FREEDOM OF ASSOCIATION

To ensure that each of our operating companies follows consistent principles relative to labor and employment practices, a set of global guidelines detail our positions relative to associations and labor unions. We respect each employee's right to decide if they want to join associations and/or labor unions, and to make an informed decision, free of coercion. An individual's support of, or opposition to, these associations does not impact their employment or application for employment. Employees have the right to organize, join associations and bargain collectively, if they so choose. Our companies will bargain in good faith with these associations.

DIVERSITY

Johnson & Johnson's Global Office of Diversity and Inclusion advocates and fosters diverse and inclusive work environments throughout the Family of Companies. In 2007, a new Global Diversity and Inclusion Vision that reinforced our culture of collaboration was released (see our website). Diversity and inclusion are ingrained in our approach to our workforces, marketplaces and external stakeholders. Rather than seeing diversity as a response to demographic changes, we see it as a tremendous opportunity that we must continually and proactively pursue. We do this by

promoting an environment where employees can freely learn about diversity; offering compelling evidence to show that leveraging diversity provides tangible benefits for our companies; and fostering a workplace where individuals with diverse perspectives and skills can collaborate and thereby maximize both their individual and collective potential.

EMPLOYEE ASSISTANCE

Since 1978, when Johnson & Johnson launched its first Employee Assistance program (EAP), we have understood that employees' personal challenges are inextricably linked to their work lives. Issues related to relationships, child rearing, substance abuse, or other sources of stress can have an impact on the health, happiness, and quality of life of our employees and their families. Our EAPs are designed to give our employees access to counseling, assessment, intervention, and training. To ensure that all employees interested in reaching out to our EAPs feel comfortable doing so, services can be accessed electronically, by phone, by visiting an onsite EAP counselor or representative, or by contacting an offsite service. Currently, these services are provided to 88 percent of our work force, up from 75 percent in 2006, and 30 percent in 2005.

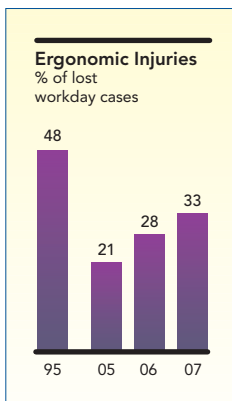
We have a responsibility to respect employees, recognize merit, compensate fairly, assure equal opportunity and provide safe and healthy workplaces.

EMPLOYEE FEEDBACK

Johnson & Johnson conducts a biannual Credo survey that gives employees an opportunity to evaluate and challenge the Company's performance against its values and beliefs. Until 2007, the survey was given annually. We have changed to a biannual schedule to enable time for the results of implemented changes to be seen. In the past four years the average global response rate has been a high 92 percent — reflecting the employee comfort that the survey is accessible, confidential, and that leadership truly listens to employee feedback. Action plans to improve employee satisfaction are customized and implemented very locally (for example, by department or operating company), but senior leadership also looks at broad trends across the organization. Employee engagement continues to be our biggest challenge. We observe a high correlation between employee engagement and our employees' feeling valued.

ERGONOMIC INJURIES

Johnson & Johnson recognized ergonomic factors as an employee safety hazard in the late 1970's. In 1995, ergonomic injuries accounted for 48 percent of our lost workday cases. At the end of 2007, ergonomic injuries were just 33 percent of our lost workday cases.



This is a remarkable improvement when one considers that we have made overall reductions in lost workdays during this same period. The proliferation of computers has also increased

the opportunity for ergonomic injury and many of our manufacturing processes today still require repetitive motion, lifting and other movements that can cause ergonomic injuries.

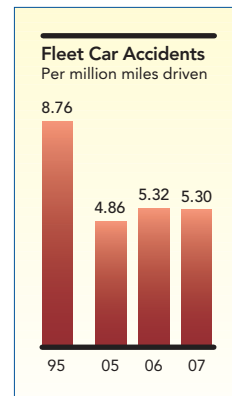
Our success has come from internally-developed risk analysis tools and a cultural approach wherein ergonomics is integrated into core business values. The Johnson & Johnson ergonomics approach is standardized and consistent across the Company. Our operating companies have evaluated all manufacturing tasks and classified them as high, moderate or low risk. We then adopted an aggressive strategy to eliminate or modify the high risk tasks. This work continues today. Further improvement via engineering solutions is our challenge; in some cases, technical solutions are not currently feasible. Where this is the case, we continue to apply other administrative controls and watch for new technologies.

EQUAL EMPLOYMENT OPPORTUNITY

Johnson & Johnson has an Equal Opportunity Employment Policy which strictly prohibits discrimination against any employee or applicant for employment because of the individual's race, color, religion, gender, sexual orientation, gender identity or expression, national origin, age, disability, veteran's status, or any other characteristic protected by law. Affirmative action is taken to ensure that all employment decisions, including but not limited to those involving recruitment, hiring, promotion, training, compensation, benefits, transfer, discipline, and discharge, are free from unlawful discrimination.

FLEET SAFETY

SAFE Fleet, the Johnson & Johnson fleet safety program, is more than ten years old and currently provides services to more than 35,000 employees.



The company vehicle serves as a workplace for the majority of these employees, some of whom spend as much as 60 percent of their working time driving for company business.

We are proud of the fact that our rate of accidents per million miles driven (APMM) has decreased 39 percent since 1995. Our 2007 APMM was 5.30.

Benchmarking conducted in 2007 showed that we ranked sixth for 2006 APMM against 24 other multi-nationals and first when compared to 13 other pharmaceutical companies. While this ranking is very good, it still represents over 3,000 vehicle accidents a year, each of which has the potential to cause serious injury or death. For this reason, we continue a strong investment in our fleet safety program. Our accident prevention approaches include gaining the support of senior managers in our sales organizations, driver training, and incorporating fleet safety into personal performance objectives. Because driving is hazardous both on and off the job, we also try to heighten awareness among our non-fleet drivers and their families.

In 2007, Johnson & Johnson was one of only a few companies invited by the World Health Organization to participate in the United Nations Road Safety Collaboration. The UNRSC builds global awareness around the need for better road safety.

FLEXIBLE WORK ARRANGEMENTS

Johnson & Johnson has offered flexible work arrangements throughout the Company for many years. In 2006, we

MORE About Our Workplace Practices

surveyed 4,400 Johnson & Johnson employees in the U.S. to understand the value proposition for flexibility. We found that 65 percent of respondents who joined the Company in the previous three years said flexibility was important in their decision to take the job and 78 percent of respondents said flexibility is an important aspect when considering whether to stay with the Company. In 2007, senior management committed to increasing opportunities for flexibility in recognition that the sustainability of our business depends on our ability to attract and retain talented employees. Flexible arrangements include telecommuting, flextime hours, remote work, occasional flexibility, a compressed work week, summer hours and part-time work or job sharing.

HEALTH MANAGEMENT

We have a long-standing commitment to improve and sustain the health of our workforce. Our Global Health Services group works to optimize medical services and the health and productivity of employees worldwide through employee assistance, occupational health programs, health promotion and wellness services. Our efforts in these areas have expanded globally over the past several years with the goal of creating a "global culture of health". Planning and programming are customized by country, region and operating company, based on different health care systems, disease states, culturally specific behaviors and accessibility to services. This allows us to expand services while being mindful of varying cultural and business needs worldwide. We have three strategic objectives for employee health — sustain a global culture of health, reduce employee health risk factors, and ensure regulatory compliance. Senior executives review the strategy and performance annually.

HEALTH GOALS AND PERFORMANCE

For many years, we have used a voluntary employee health profile to give us an indication of employee health and the impact of our health programs. The profile is a confidential questionnaire that identifies health and lifestyle risks including tobacco use, blood pressure, cholesterol and inactivity. We have made good progress reducing tobacco use and lowering blood pressure and cholesterol, but employee inactivity continues to be a challenge (see the Data Summary Table on page 40). We estimate that our attention to these areas has avoided \$15.9 million in health care costs. During 2007, additional health targets were successfully achieved:

GOALS (by 2008)

Increase employee voluntary use of the health profile in the U.S.

- **ACTUAL**
85% of employees participated, an 18% increase

65% of U.S. employees who participate in voluntary health screening profile are in low risk category

- **ACTUAL**
77% of U.S. employees are in the low risk category

HIV/AIDS WORKPLACE INITIATIVE

The goal of our Worldwide HIV/AIDS Policy, introduced in 2005, is to ensure that all of our employees have access to HIV/AIDS treatment and support services. The policy provides for non-discrimination and confidentiality protection for employees living with HIV/AIDS; voluntary counseling and testing programs; care, support and treatment for employees and their dependents with HIV/AIDS; and prevention, education, and awareness programs for all employees of the Johnson & Johnson Family of Companies and their dependents. At the end of 2007, elements of this policy had been implemented at 98 percent of our U.S. and Puerto Rico sites, and 81 percent globally.

New Global Health 2012 goals have been created for health and wellness service offerings, voluntary health profiles, employee health risk level, and on-time completion of medical surveillance.

GOALS (by 2012)

100% of sites offer 13 health & wellness services

- **ACTUAL**
94% of worldwide sites are offering a minimum of 4 services. 50% of U.S. sites are offering all 13 services.

70% of employees who participate in voluntary health screening profile are in low risk category

- **ACTUAL**
78% of participating employees are in the low risk category

Increase access to and use of the health profile

- **ACTUAL**
47% of non-U.S. locations have access to profile. Pilots conducted in 7 countries, 23 locations

≥93% of periodic medical surveillance completed on time.

- **ACTUAL**
Process to measure goal established



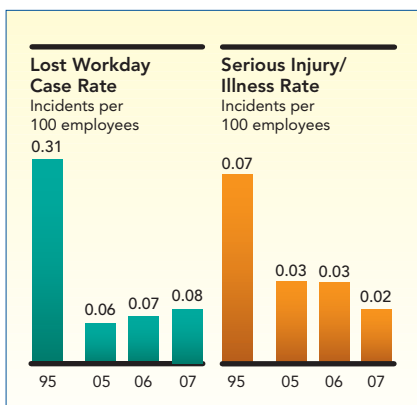
MORE About Our Workplace Practices

RESILIENCY TRAINING

Employee Assistance Programs are both reactive and pro-active. Johnson & Johnson's operating companies are now offering services to help employees learn to manage stress before it manifests in physical or emotional illness. Resiliency training gives employees stress management skills and provides techniques that increase personal ability to quickly bounce back from the ups and downs of life. In 2007, approximately 15 percent of our global workforce participated in this training.

SAFE PEOPLE GOALS AND PERFORMANCE

Johnson & Johnson has long had annual goals to continuously improve safety performance at its facilities. In 2007, an internal team transformed the year-on-year safety goal and target setting process into a longer-term enterprise-wide set of safety goals called Safe People 2010. To help select targets, we benchmarked our current performance with two different industry groups. Our safety indicators are already amongst those of the leaders and, while we still have an aspiration for zero injuries/illnesses, we were able to set targets for lost workday and serious injury/illness cases, fleet accidents, compliance, action planning and safety culture. In addition, we expanded our metrics to include safety at our external manufacturers. Our performance is summarized below, and it compares favorably to industry benchmarks.



SAFETY MANAGEMENT

Employee health and safety are among our highest values. Johnson & Johnson aspires to be among the leaders in health and safety by achieving healthy lifestyles and injury-free workplaces. Leadership is characterized by elimination of injuries and illnesses, global best practice sharing, influence in the regulatory environment, and delivered business results. Corporate standards and a strong internal management system are audited by impartial teams from outside the audited facilities and safety performance is discussed annually with the Public Policy Advisory Committee of the Board of Directors. Our programs are deployed by several hundred safety and industrial hygiene professionals throughout our operating companies, but we owe our strong performance to the engagement and commitment of employees at all levels. Key challenges include improving the safety performance of new acquisitions, bringing renewed emphasis on contractor safety, and influencing the health and safety practices of our external manufacturers.

SAFETY PARTNERSHIPS

Johnson & Johnson partners with a number of external organizations to promote health and safety in our workplaces and our communities. Three partnerships were of particular note in 2007 — the U.S. Occupational Safety and Health Administration (OSHA), the U.S. National Safety Council (NSC) and the Joint US/EU Conference on Health & Safety At Work. At the end of 2007, we concluded our second partnership with OSHA on ergonomics. In 2008, we anticipate entering into OSHA's Alliance Program with a focus on ergonomics, fleet safety and prevention through design. Alliance partners leverage OSHA's resources and expertise to share and promote workplace health and safety information with other companies.

The NSC is dedicated to protecting life and promoting health.

Johnson & Johnson serves on the NSC Board of Delegates and we are working with the organization to promote the business case for safety and health. This effort follows our receipt of the NSC Campbell Award in 2005. The Johnson & Johnson business case will be available in 2008.

Finally, we were one of only 14 companies invited to participate in the Joint US/EU Conference on Health & Safety At Work. The conference was convened to share insights about different approaches to eliminating hazards in the workplace.

TALENT MANAGEMENT AND TRAINING

Johnson & Johnson companies encourage employees at all levels to continually develop their career and leadership skills. To supplement on-the-job development, we provide extensive, globally accessible training and development. Offerings span individual, team, organization and leadership development through options such as e-learning, traditional classroom training and blended learning.

TOBACCO-FREE POLICY

In 2007 we implemented a Worldwide Tobacco-Free Work Place Policy that prohibits tobacco at all company locations, including buildings, property, leased buildings, company vehicles and company-sponsored meetings. For approximately 18 months prior to this change, we offered employees and their dependents a variety of smoking cessation programs, including counseling, medications, on-line programs, group meetings and individual coaching — all at no cost (in the United States). Globally, we achieved 98 percent compliance with this policy in 2007.

MORE About Our Environmental Practices

“The environment is the ultimate human health issue.” As the world’s largest health care company, Johnson & Johnson recognizes the critical interdependence between human health and the health of our planet. As a multi-national organization, our environmental impacts are far-reaching. We maintain an Environmental Policy and corporate standards (see our website) that guide our operating companies.

We are committed to environmental excellence, instilling environmental awareness in our employees, utilizing good environmental practices in our products and processes and contributing to global sustainable development. Highlights of our environmental programs and performance against our Healthy Planet 2010 goals follow, in alphabetical order by topic.

ACCOUNTABILITY

In keeping with our decentralized organization, primary accountability for environmental rests with each franchise Group Operating Committee. Environmental performance across the enterprise is supported by Company senior management and discussed, along with compliance and emerging environmental issues, annually with the Public Policy Advisory Committee of the Board of Directors.

AWARENESS

We have a Healthy Planet 2010 goal to conduct annual environmental literacy campaigns throughout our operating companies. We believe increased knowledge about global environmental challenges inspires our employees to make choices and take actions that are good for the environment. This benefits Johnson & Johnson. We have been implementing environmental improvement projects for over 15 years. As such, the ‘easy’ opportunities to reduce our impacts are long gone. We need the engagement and ideas of all of our employees to suggest workable, new improvements. During 2007, 92 percent of our facilities deployed a literacy campaign. More than 60 percent focused on

climate change. Educational materials and approaches included posters, web-conferencing, newsletter articles, e-learning modules, brochures, an email from our CEO and some materials specifically created for the children of our employees.

BIODIVERSITY

We have a goal to enhance biodiversity conservation in areas over which we have control or influence. Through the development and implementation of written biodiversity conservation plans, our operating companies are taking multiple approaches to meet the spirit of this commitment. As of the end of 2007, approximately 95 percent of our operating companies have a biodiversity plan that is endorsed by leadership. More than 50 conservation projects are underway around the world; 55 percent of these projects are to improve the biodiversity on our own work campuses; the remainder are offsite projects. Many of our operating companies have joined together with external partners, governmental or non-governmental organizations, to conserve or enhance biodiversity. Projects include environmental cleanups, reforestation, protection of endangered species, aquifer protection, and habitat restoration.

In the Asia-Pacific region, a number of our companies joined together to become part of widespread efforts to reforest the Inner Mongolia desert. Years of overgrazing in the region have fueled massive, damaging dust storms that now blow across China.

COMPLIANCE AND ASSURANCE

Regulatory compliance is the minimum expectation for Johnson & Johnson operating facilities. We monitor compliance through an assessment program that has four elements: annual self-assessment, third-party joint assessment on a risk-based interval, action planning, and corrective action tracking. Management action plans are reviewed by senior

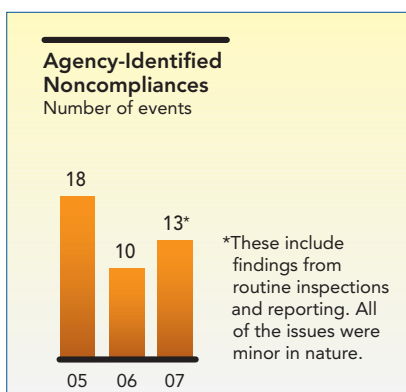
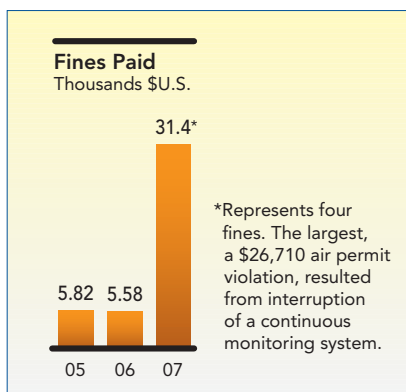
Accidental Releases

Number of events



*Two were spills of diesel oil to soil, totalling 8,000 liters; three were releases to air totalling 1,050 kilograms of refrigerants and 350 kilograms of volatile organic compounds. The remaining were minor releases to the sanitary sewer.

We have a Healthy Planet 2010 goal to conduct annual environmental literacy campaigns throughout our operating companies because we believe increased knowledge about global environmental challenges inspires our employees to make choices and take actions that are good for the environment.



business leaders and significant compliance risks and events are presented and discussed at Corporate Compliance Committee meetings.

CONSERVATION PARTNERSHIPS

In addition to the external, more local partnerships forged by our operating companies, Johnson & Johnson supports a number of major environmental organizations. To name a few, we are a long-standing supporter of the World Wildlife Fund, The Conservation Fund, the Trust for Public Land, The Wilderness Society and the Harvard Medical School Center for Health and the Global Environment.

Since 2003, we have supported innovative "Healthy Communities, Healthy Ecosystems" projects around the world with the World Wildlife Fund. We particularly identify and support projects that

make the connection between environmental protection and community health.

The Harvard Center advances environmental education at medical schools to promote research and awareness of the impact of global environmental change on human health. A particular project we supported will culminate in 2008 with the highly anticipated publication of a comprehensive book that highlights how human health depends on continued biodiversity. *Sustaining Life: How Human Health Depends on Biodiversity* is expected to be used as a textbook for college ecology and environmental science courses, as a resource for environmental groups working on conservation, and as a key reference for policymakers.

ENVIRONMENTAL MANAGEMENT SYSTEM CERTIFICATION

Each facility is required to characterize and understand its impacts, plan for emergencies and seek opportunities for continuous improvement. At the end of 2007, 100 percent of our operating and research & development facilities were third-party certified to the ISO 14001 environmental management system standard.

FLEET EMISSIONS

The Company's worldwide automobile fleet consists of approximately 35,000 owned or leased vehicles used by our sales and management staff. The operation of these vehicles accounts for an estimated 250,000 metric tons of CO₂ emissions from approximately 775 million miles driven in 2007. At present, we do not include fleet emissions in our reporting of worldwide CO₂ emissions because we do not have the same degree of precision in this measurement. Ongoing efforts are in place to improve our tracking of the CO₂ emissions generated by our fleet.

Our Healthy Planet 2010 goal is to reduce total CO₂ emissions per kilometer driven by 30 percent against a 2003 baseline. Using U.S. based data, this translates into 150 grams CO₂ per kilometer (approximately 36.4 miles per gallon of gasoline). To realize this objective, we have established minimum fuel efficiency requirements (by vehicle category) for the purchase of fleet vehicles. In addition, we are actively incorporating hybrid electric cars and ethanol-fueled vehicles in the fleet. As of March 2008, the U.S. fleet had 978 hybrids on the road and 508 more on order. Our target is to have 1,600 hybrids on the road by the end of 2008.

In 2007, our average U.S. fleet emissions per distance driven was 218 grams CO₂ per kilometer (25 mpg), which is above our 2003 baseline of 214 grams CO₂ per kilometer (25.5 mpg). We have seen an improved awareness and increase in market demand for more environmentally friendly vehicles over the past year and we are actively aligning our vehicle purchasing strategy with those models as they become available.

FOREST PRODUCTS PURCHASING

In 2006, the Company issued new Forest Products Purchasing Guidelines (available on www.jnj.com) that assist our procurement professionals with making forest products purchasing decisions that are consistent with our environmental goals. The guidelines include understanding the source of purchased forest products and verifying the legality of high-risk sources. As a large, multinational business, we know Johnson & Johnson and its operating companies are positioned to make paper and packaging procurement decisions that could help influence responsible forest management. We are a member of the North America Forest & Trade Network (NAFTN) and the Global Forest & Trade Network (GFTN).

MORE About Our Environmental Practices

These organizations helped us understand current threats to our forests and the varying ways we can protect them.

Under Healthy Planet 2010, we have set goals for 90 percent of our office paper and 75 percent of our paper-based packaging to contain greater than 30 percent post-consumer recycled content or contain fiber from certified forests by 2010. These targets were set after careful consideration of industry benchmarks, our 2005 baseline data and the opportunities for improvement in our current supply chain. Our 2007 results are summarized below:

Paper Packaging

percent of packaging that contains >30% post-consumer recycled content or contains fiber from certified forests

Goal (by 2010)	75%
2007 Actual	93%

Office Paper

percent of office paper that contains >30% post-consumer recycled content or contains fiber from certified forests

Goal (by 2010)	90%
2007 Actual	83%

GOALS, HEALTHY PLANET 2010

Enterprise-wide environmental goals are established every five years. In 2005, we initiated our newest set of goals, the Healthy Planet 2010 Goals. These were developed using a stakeholder engagement process that included governmental representatives, non-governmental organizations, other companies, academic institutions and our employees at all levels. Goals have been set for biodiversity, compliance, energy use (carbon dioxide reduction), environmental literacy, external manufacturing, paper and packaging, product stewardship, transparency, waste reduction and water



Enterprise-wide environmental goals are established every five years. In 2005, we initiated our newest set of goals, the Healthy Planet 2010 Goals.

use. Each of these goals is discussed under their individual headings in this report.

OZONE DEPLETING SUBSTANCES

Johnson & Johnson has previously committed to comply with the "Montreal Protocol on Substances that Deplete the Ozone Layer." Our operating companies completed the accelerated elimination of halons in fire suppression systems and the use of chlorofluorocarbons (CFCs) in HVAC/refrigeration equipment. In September 2007, representatives of 191 countries met in Montreal and agreed to accelerate the phase-out of hydrochlorofluorocarbons (HCFCs) with developed countries agreeing to reduce production and consumption 10 years earlier than previously promised, with final phase-out in 2020. Europe is accelerating this schedule by implementing a complete HCFC phase-out by 2015. Johnson & Johnson has committed to the accelerated removal of HCFCs by 2015 from HVAC/refrigeration equipment greater than 5 tons in cooling capacity. We have plans to incorporate available alternatives and ensure no new CFC- or HCFC-containing equipment is purchased.

PACKAGING

Johnson & Johnson has been minimizing packaging use for more than 10 years. We have made strides to reduce the size of our packaging, the weight of our packaging and the recyclability of our packaging. We have also considered how our choice of packaging material affects

the environment. There will always be a balance between the environmental concerns about packaging and the concurrent needs for product safety and product information. At Johnson & Johnson, our first responsibility is to the doctors, nurses, and patients who use our products. In meeting their needs, everything we do must be of high quality. But, an ever-increasing number of our customers are making product choices based on less packaging and the recyclability of that packaging.

In 2005, our Consumer Group of Companies created a global strategic design office, reporting directly to the Worldwide Group Chairman, to incorporate environmental sustainability and innovative design throughout great Consumer brands like JOHNSON'S®, BAND-AID® and NEUTROGENA®. An internal decision-making tool was created to guide responsible packaging design and the purchase of packaging materials. It is applied during new product launches, repackaging projects, line extensions and sampling programs. Our over-arching vision is to minimize the environmental impacts of our packaging while still maintaining functional, aesthetic and quality attributes for our consumers. We see sustainable packaging as a journey with many different considerations, pathways and incremental changes.

A few of the specific accomplishments from the Consumer Group in 2007 were incorporating post-consumer high-density polyethylene recycled content into the SOOTHING NATURALS™, Oatmeal Vanilla, and JOHNSON'S® BEDTIME™ Toddler Wash

MORE About Our Environmental Practices

bottles and switching from non-certified paper board in our BAND-AID® packaging to board from Brazil that is now 100% FSC-certified (Forest Stewardship Council).

Under our Healthy Planet 2010 goals, we have specific Company-wide targets for paper-based packaging and PVC packaging. (See Forest Products Purchasing and Polyvinyl Chloride)

PHARMACEUTICALS IN THE ENVIRONMENT

Trace quantities of ingredients found in pharmaceuticals have been detected in water systems in the U.S. and Europe. These compounds reach the environment primarily from normal patient and consumer use as they pass through the body and into sewer and wastewater treatment systems.

There is concern that these trace levels might present a risk to human health or aquatic organisms. A substantial body of peer-reviewed research studies suggests it is unlikely that these quantities affect human health. Scientists have found no evidence of adverse human health effects from trace levels of pharmaceuticals in the environment (PIE). While the science is evolving, most studies have found that these compounds do not present a significant risk to aquatic organisms at concentrations typically found in the environment. However, some studies have shown that certain endocrine-active chemicals do affect some aquatic species after long-term exposure. Additional research is needed to properly evaluate the potential impacts on aquatic life.

Johnson & Johnson fully supports further scientific study 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.

In 2002, Johnson & Johnson formed a task force to assess the significance of endocrine-active materials and PIE. It is

a challenging issue due to its complexity:

- sources of PIE are geographically wide-spread;
- pharmaceuticals may exist in their original chemistry or as metabolites;
- the environment already contains natural estrogens; and,
- the science to assess the risks of drug mixtures is still developing.

Johnson & Johnson is working on these challenges in cooperation with academic institutions and other organizations such as, PhRMA (Pharmaceutical Research and Manufacturers of America), European Federation of Pharmaceutical Industries and Associations, Society of Environmental Toxicology and Chemistry and European Centre for Ecotoxicology and Toxicology of Chemicals. Through PhRMA, we have opened a dialogue with the U.S. Environmental Protection Agency and U.S. Food and Drug Association to address PIE concerns.

Although the vast majority of pharmaceutical and other compounds found in water systems arises from normal patient and consumer use, Johnson & Johnson operating companies are taking steps to evaluate and minimize or eliminate these compounds from their wastewater. Periodic wastewater monitoring has been used to determine potential toxicity to aquatic organisms, to conduct risk assessments, and to develop safe levels (Predicted No Effect Concentrations or PNECs) for our active pharmaceutical ingredients (APIs). At the end of 2007, most of our global pharmaceutical manufacturing facilities producing APIs had characterized their wastewater effluent. This information will be used to explore risk management options to reduce risk where appropriate.

Another way pharmaceutical compounds can reach the environment is through consumer disposal of unused or expired medicines. Johnson & Johnson supports the U.S. White House Office of National Drug Control Policy for the Proper Disposal of Prescription Pharmaceuticals. This policy suggests a combination of take-back programs when

they are available, trash disposal for most medicines, and flushing for some specific pharmaceuticals, such as narcotics.

Johnson & Johnson is also participating in an educational effort, called SMARxT Disposal, being 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.

POLYVINYL CHLORIDE (PVC) PACKAGING

Polyvinyl chloride (PVC) has long been used in packaging for drugs, medical devices and personal care products because of its desirable physical characteristics for protecting product quality, including impermeability to moisture, gas and flavor. But Johnson & Johnson operating companies also understand concerns about the ability to dispose of PVC in an environmentally sound manner and the difficulties with recycling PVC. Our Consumer franchise had a goal for 100 percent removal of PVC in primary packaging by the end of 2007. Primary packaging is that which has direct contact with our products.

1° PVC Packaging – Consumer Franchise	
Million kilograms used	
Goal (by 2010)	0
2005	2.59
2006	3.20
2007*	2.78
*Includes former Pfizer Consumer Healthcare PVC.	

Although not apparent from this data representation, the franchise eliminated nearly all primary PVC that was in 'legacy' consumer products (those products in the sector prior to the acquisition of Pfizer Consumer Healthcare) by the end of 2007. The bulk of the remaining primary PVC is from Pfizer Consumer Healthcare (PCH) and we anticipate full elimination during 2008.

Additionally, we had a goal for 100 percent removal of PVC in our secondary and tertiary packaging throughout the Company, by the end of 2007. An example

MORE About Our Environmental Practices

of secondary packaging would be the plastic safety seal placed around a bottle cap. Tertiary packaging would include outer containers such as needed for palletizing and shipping.

2° and 3° PVC Packaging – Worldwide

Million kilograms used

Goal (by 2010)	0
2005	1.54
2006	0.20
2007*	0.24

*Includes former Pfizer Consumer Healthcare PVC.

We have eliminated 84 percent of our secondary and tertiary PVC packaging across the Company. Again, current uses of secondary and tertiary PVC are largely attributable to the former PCH products.

PRODUCT STEWARDSHIP

At Johnson & Johnson, our operating companies strive to review all new products, processes and packaging for environmental impacts using our internal Design for Environment tool. Increasingly, stakeholders are interested not only in what comes out of our facilities, but also what goes in. Evaluating a product's lifecycle enables developers to identify and reduce environmental impacts introduced by raw material selection, product use and product disposal. In many countries, legislation is emerging to restrict the use of certain potentially harmful substances.

We have a Healthy Planet 2010 goal that challenges each of our franchises to

continuously improve their product and process environmental profiles. At the end of 2007, 90 percent of our franchises had such a plan. Our Consumer Group of Companies has a number of product ingredient strategies; in Medical Devices & Diagnostics, product improvements include eliminating heavy metals, PVC and solvents; and the Pharmaceutical Group has implemented green chemistry strategies. Johnson & Johnson also participates in the Product Sustainability Roundtable (PSRT), an organization that benchmarks product sustainability programs and keeps abreast of emerging best practices.

Our operating companies with electronic products are also committed to implement an electronics take-back program in 100 percent of their regions, with a plan to recycle or remanufacture them to the extent possible. As of the end of 2007, they had achieved 21 percent coverage. In addition, the weight of products taken back increased by 6.7 percent when compared to 2006, and by more than 1,500-fold when compared to the baseline year, 2005.

TRANSPARENCY

Johnson & Johnson has worked to increase its transparency since 1993, when we published our first corporate environmental report. Since then, we have steadily increased the information available to the public about our environment, health and safety performance and expanded our reporting to include the full range of sustainability topics

in 2003. In 2006, we began a Healthy Planet 2010 commitment to have 100 percent of our manufacturing and R&D facilities providing facility- or company-specific environmental sustainability information. While guidance about the types of information has been provided, facilities customize their information based on local community and stakeholder interests. At the end of 2007, 66 percent of our facilities had a transparency report posted to our website.

We have been honored as a Green Power Partner of the Year in 2003, 2005, 2006, and 2007 and we received a Green Power Leadership Award in 2002 and 2004. We participate in this program because we believe that our investment in green power helps support the development of renewable generation capacity in the U.S. while protecting the environment.



MORE About Our Environmental Practices

VOLUNTARY PARTNERSHIPS

Johnson & Johnson believes partnerships are an effective way to achieve common goals, help shape public policy and set an example for other companies. We have a history of being among the first companies to participate in voluntary programs from the U.S. Environmental Protection Agency (EPA). For example, we participated in EPA's first voluntary program, the 33/50 Program, which targeted emission reductions for priority chemicals. It was the Agency's hope that the voluntary program would bring about targeted reductions more quickly than would regulations alone. In fact, the program achieved its goal one year ahead of schedule. Today, our partnerships with the EPA include the SmartWay Program (see discussion on page 20), the Green Power Partnership, Climate Leaders, and the National Environmental Performance Track Program (PT).

The Green Power Partnership encourages organizations to buy green power as a way to reduce the environmental impacts associated with purchased electricity use. Johnson & Johnson is a founding Green Power Partner and an ongoing member of the Green Power Leadership Club. We have been honored as a Green Power Partner of the Year in 2003, 2005, 2006, and 2007 and we received a Green Power Leadership Award in 2002 and 2004. We participate in this program because we believe that our investment in green power helps support the development of renewable generation capacity in the U.S. while protecting the environment. It is also a good business decision, providing the Company with a reliable and stable supply of energy. (See page 16 for a more thorough discussion of our energy commitment.)

The Performance Track program recognizes and drives environmental excellence by encouraging facilities with strong environmental records to go above and beyond their legal requirements. Each participating facility (there are 38 in the program from our Family of Companies) sets four public, measurable

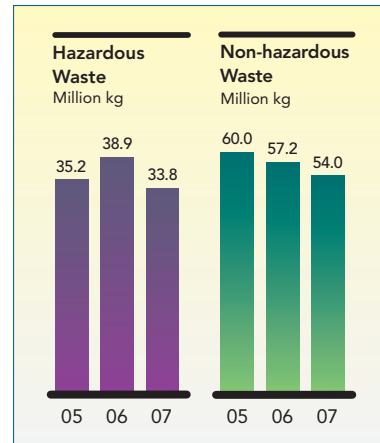
goals to reduce its environmental impacts. In addition, Johnson and Johnson was invited to become one of the first, and to date, one of only five companies to gain recognition as a Corporate Leader, which includes committing to additional Corporate-wide targets. More information on Johnson & Johnson's involvement with this partnership, and the improvement targets we have set, can be found at www.epa.gov/performancectrack.

WASTE LIABILITIES

Johnson & Johnson has been named a potentially responsible party for 26 hazardous waste sites, and we have accrued approximately \$7.1 million in environmental liabilities. Our involvement in these sites is the result of either past waste management practices that were standard industry practice at the time, or of improper handling of our wastes by companies with which we contracted. During 2007, we expended approximately \$5 million to address remediation issues at 23 existing and divested properties. To date, we have filed for closure at three sites. We have approximately \$44.9 million in reserves set aside for all future cleanups.

WASTE REDUCTION

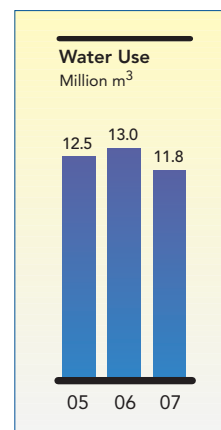
By eliminating or reducing waste, we not only decrease our environmental impact, we also reduce the associated costs and risks/liabilities from transportation, treatment and disposal. We set a Healthy Planet 2010 goal to reduce our hazardous and non-hazardous waste by 10 percent against our 2005 baseline levels. Since 2005, our operating companies have achieved a 10 percent reduction in non-hazardous waste, largely through increased recycling and reuse of their waste and some innovative composting projects. Similarly, increased recycling and reuse of waste have allowed us to achieve a four percent reduction in hazardous waste since 2005.



Figures reflect the acquisition of Pfizer Consumer Healthcare and the corresponding adjustment of the 2005 baseline. They also include small corrections as a result of routine auditing of our data.

WATER USE

Diminishing water supplies and decreasing water quality are pressing environmental challenges, as evidenced by the water shortages observed in many parts of the world this past year. As competing demands for water continue to grow, this problem is likely to become more acute. At Johnson & Johnson, we have been reducing our water use for many years. We realized a 16 percent absolute reduction in our water use from 2000 – 2005, at a time when sales increased 56 percent. To ensure that we continue to identify and maximize our water conservation, we set a Healthy Planet 2010 goal for a further 10 percent absolute reduction in water use from 2005 – 2010. As of the end of 2007, we achieved a six percent reduction.

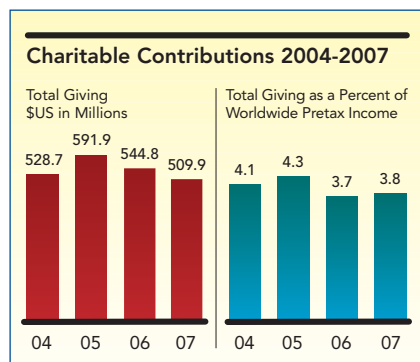


Figures reflect the acquisition of Pfizer Consumer Healthcare and the corresponding adjustment of the 2005 baseline. They also include small corrections as a result of routine auditing of our data.

MORE

About Our Charitable Contributions

The greatest gifts a company can give to its community are its time, talents and resources to make long-term, meaningful difference in people's lives. This is especially so for a health care company like Johnson & Johnson, which has the ability to address, through community engagement, the world's major health-related issues. The Company works together with key community-based partners that have the greatest insight into the needs of local populations and the strategies that stand the greatest chances of success. Over the years, Johnson & Johnson has continued to grow and learn from its philanthropic partners the best ways to address the needs of communities throughout the world. Below are some of the many ways we engage with our communities.



REDUCING INFANT MORTALITY IN CHINA

Every year in China, as many as 125,000 babies die from neonatal asphyxia (the inability to breathe at birth). Of the ones that do survive, developmental disabilities are not uncommon. In response to this crisis, the Johnson & Johnson Pediatric Institute, LLC, partnered with the Chinese Ministry of Health, American Academy of Pediatrics, Chinese Society of Perinatal Medicine, and the Chinese Nursing Society to form a national neonatal resuscitation Program (NRP) titled Freedom of Breath, Fountain of Life. The NRP's mission is to reduce infant mortality through educational intervention by providing training to health care professionals in China on neonatal resuscitation techniques to reduce infant mortality during childbirth. Over 27,000 professionals have been

trained since 2004. Our goal is to have at least one person at every hospital birth in China skilled in neonatal resuscitation by 2010. These professionals will train thousands more, as the program works toward its goal.

INTRODUCING HEALTH CAREERS TO HIGH SCHOOL STUDENTS

Since 1992, the Johnson & Johnson Bridge to Employment Program (BTE) has engaged communities and Company employees in meaningful, ongoing dialogue with high school students on a variety of educational and career-oriented topics. BTE provides mentoring, educational development and job shadowing opportunities to students in the U.S. as well as Puerto Rico, Colombia, Ireland and Scotland. Thousands of students have benefited. The program helps young people build solid futures by introducing them to a broad array of careers in health care and providing them with real-world experiences. The Company partners with the Academy for Educational Development and multiple local businesses, educators, parents and community-based organizations in BTE cities. For example, in 2005, Johnson & Johnson and three of its affiliate companies formed a partnership with institutions and parents in Cork City, Ireland to develop a core curriculum

focused on career-minded subjects and positive mentoring experiences for 160 students. During the Cork program's first two years, students have participated in high school exit exam preparation seminars, all-day university tours, and on-site tours at DePuy (Ireland) Limited, Janssen Pharmaceutica NV, and Centocor Biologics (Ireland) Limited.

IMPROVING COMMUNITY HEALTH THROUGH IMPROVED WATER QUALITY

Working through the Penn State University chapter of Engineers Without Borders, Johnson & Johnson and its affiliate company Centocor, Inc. helped finance the design and building of a sustainable water distribution system and sanitation program that will dramatically improve the quality of life and health of the residents of Kob, Cameroon. Without a sufficient supply of water, the community had suffered from poor sanitation and a multitude of water-borne diseases, many of which affected their children. The project has provided spring protection and distribution lines to deliver clean water to the village.

REDUCING PRE-TERM BIRTHS

During 2007, in an effort to reduce the rate of preventable pre-term births in targeted areas of Kentucky, the March

Johnson & Johnson continues to identify and respond immediately to critical health needs in the aftermath of natural disasters. Through our disaster relief partners, we identify and provide support to help communities recover and rebuild.

of Dimes and Johnson & Johnson Pediatric Institute, L.L.C., launched HEALTHY BABIES ARE WORTH THE WAITSM, a three-year partnership with the Kentucky Department for Public Health. Pre-term birth (defined as birth before 37 completed weeks' gestation) is the leading cause of infant death in the U.S. and puts babies at great risk for lifelong disabilities such as cerebral palsy, blindness, and physical and neurological impairment. Kentucky has one of the highest rates of pre-term birth. HEALTHY BABIES ARE WORTH THE WAITSM takes a "bundled" approach to reducing the known risk factors for pre-term birth during prenatal care and between pregnancies. Through education and outreach to expectant mothers and their health care providers, we are working to inspire others to do all they can to make sure the babies in their families and communities are born full term, if possible. Running through 2009, this initiative could be replicated in other regions of the country, if successful in reducing the rate of preventable pre-term births.

TREATING WORM INFECTIONS IN CHILDREN

Intestinal worms affect more than 400 million children worldwide. Widely found in tropical and subtropical areas, the worms are transmitted through food and skin penetration. General symptoms include diarrhea, tiredness, abdominal swelling and frequent pain. In children, intestinal worms can lead to malnutrition, increased susceptibility to other serious infections, stunted growth, reduced school attendance/performance and ultimately, decreased productivity as adults. In severe cases, worm infections can lead to death. In response to this great need for treatment, Johnson & Johnson partnered with the Task Force for Child Survival and Development to launch Children Without Worms. This multi-regional, produce-to-give initiative



Providing deworming medicine to children in Cameroon.

will donate up to 50 million doses of mebendazole — a deworming medicine manufactured by Janssen-Cilag NV — to the governments of Bangladesh, Cameroon, Uganda and Zambia. Four additional countries are receiving donations in 2008. The scope of the program goes far beyond the donation of medicines. Johnson & Johnson and the Task Force plan to cultivate partnerships with communities, governments, NGOs, international development agencies, foundations and corporations that can advance the other elements of comprehensive control such as health education, clean water and sanitation.

PREVENTING HIV TRANSMISSION TO BABIES

The organization mothers2mothers (m2m) provides education for South African HIV-positive pregnant women to prevent mother-to-child transmission of the disease. HIV-positive mothers are trained to mentor other HIV-positive pregnant women. Johnson & Johnson began its partnership with m2m in 2005, opening its first sites in the Eastern Cape at Ndende Hospital and Frere Clinic in East

London. More than 2,400 women were reached at these two sites. Johnson & Johnson now supports 16 m2m sites in South Africa and thousands of women have been reached. For more information, visit www.m2m.org.

RESPONDING TO DISASTERS

Johnson & Johnson continues to identify and respond immediately to critical health needs in the aftermath of natural disasters. Through our disaster relief partners we identify and provide support to help communities recover and rebuild. We were a founding member of the Partnership for Quality Medical Donations and one of the first companies to sign the World Health Organization Guidelines for Donated Drugs. Some of our 2007 responses included:

The Cyclone in Bangladesh

When a Category Four cyclone struck Bangladesh, killing more than 3,000 and leaving an estimated 280,000 homeless, our disaster relief partners provided medical modules with consumer products, over-the-counter medicines, sutures and wound care products.

Tropical Storm Noel in the Dominican Republic

Tropical Storm Noel caused extensive damage in the Dominican Republic, Bahamas, Cuba and Haiti. Johnson & Johnson responded with monetary contributions and product donations.

Floods in Tabasco, Mexico

When devastating floods impacted Tabasco, Mexico, more than a million residents were forced to evacuate their homes. Through our disaster relief partner, AmeriCares, we distributed over-the-counter medicines, antibiotics, wound care products, and food and water.

BEYOND The Data

Sustainability Through Our Stories

Conserving Biodiversity

To meet its biodiversity goal, Johnson & Johnson Pharmaceutical Research & Development, LLC (J&JPRD) in La Jolla, CA invited the executive director of the San Elijo Lagoon Conservancy to walk the campus and advise J&JPRD on conserving local and regional biodiversity. J&JPRD's La Jolla facility is situated on an urban mesa above scrub-covered canyons that drain into the Los Penasquitos Lagoon, a designated California Natural Preserve.

Information collected during the walk-through will be used to protect indigenous flora and to control or eradicate invasive non-native plants — the basis of the site's new biodiversity action plan. Many native

plant species were observed, but several non-native plant species with invasive characteristics that range from moderate to extreme were also identified. A California Gnatcatcher, a threatened bird species that thrives only in coastal sage scrub, as well as two rare species of native succulents, were observed. The review included a discussion about the site's ornamental landscaping, and the possibility of introducing some native plants that are more drought and heat tolerant in order to reduce water use.

Annual biodiversity progress assessments are planned and employees will receive status reports. The public will also hear about progress through the site's annual sustainability transparency report on www.jnj.com.



Preventing Childhood Injuries

Founded in 1987 with support from Johnson & Johnson, Safe Kids Worldwide® is dedicated to preventing unintentional childhood injury by implementing safety programs and hands-on training throughout the world. In addition to education programs, Safe Kids also facilitates engineering modifications and works to enact and enforce safety laws and regulations. In 2007, the organization marked its 20th year with the theme, "Make it a Safe Kids Summer." Recent research, underwritten by Johnson & Johnson, concluded that summer represents the highest injury risk season each year. With support from Johnson & Johnson, a pool and spa safety bill was also introduced in the U.S. Congress. Safe Kids has helped produce some dramatic results. Since its inception, the U.S. childhood death rate has declined by 45 percent.



Increasing Wetland Habitat

Johnson & Johnson Health Care Systems Inc. (JJHCS) in Piscataway, NJ has established a ten-year partnership with the U.S. Fish & Wildlife Service to increase biodiversity and wetland habitat in the region near their facility. Over the ten-year term of the agreement, JJHCS will work on a number of land restoration projects. During 2007, they led the restoration of a pond and stream in

Piscataway, engaging employees, a private biologist, students and faculty from nearby Rutgers University, and community volunteers in the effort. About 500 meters of riparian, upland and wetland habitat were restored. Invasive species of plants along the pond banks were removed and replaced with native vegetation that will help prevent erosion. Similar projects are planned for each of the next nine years.

CONSERVING WATER RESOURCES

Our affiliate Centocor, Inc., in Malvern, PA is taking waste condensate water from their building air conditioner and returning it for use in their cooling towers. In the first 18 months of this change, Centocor recycled over 2.8 million gallons of water, thereby reducing their fresh water usage by the same amount.

Responding to an Environmental Disaster

In December 2007, thousands of tons of oil spilled into the Yellow Sea off the western coast of South Korea after an oil tanker collided with a barge. It was the largest spill in South Korean history, contaminating 167 kilometers of western sea, including 15 beaches and 946 fertile fishing grounds. Janssen Korea, Ltd. sent a team of employee volunteers to clean one of the severely damaged areas. By partnering with local government officials, the team selected Eoeundol Beach, where cleaning progress had been slow. Employees, many of whom abandoned their holidays for this activity, worked hand-in-hand with local residents.

Training Midwives on Neonatal Care

In Vietnam, the mortality rate for children under the age of five is declining, but still high. Many hospitals and health care centers in Vietnam lack proper newborn care facilities and equipment. Midwives are not adequately trained to handle emergency cases when they arise. In 2007, the Midwife Training on Neonatal Care training program was developed to provide midwives who are trained to handle neonatal emergencies. Johnson & Johnson provided funding for this program, which was managed by the Vietnam Reproductive



Photo: Janea Wiedmann

Healthcare Department. The goals of the program are to reduce the number of infant deaths and accidents in hospitals by improving the medical knowledge of midwives across the country, and to teach doctors and midwives to become trainers themselves. Through continued education, this program hopes to improve the standard of neonatal care among doctors and midwives.



Johnson & Johnson
Family of Companies

WORLDWIDE PARTNER

Sponsoring the Beijing 2008 Olympic Games

The Beijing 2008 Olympic Games marks the first time in history the event has traveled to China; however, for the past 20 years Johnson & Johnson has been actively involved in promoting the health and well-being of Chinese families. The sponsorship itself was a critical step in our ongoing commitment to the people of China. We created a platform to unify

our Chinese brands and enable them to speak with one voice. Under the phrase, "Yin Ai Er Sheng" which means, "because we care, we act," we are sharing our sentiment that caring for others makes life more meaningful, and we are articulating the values that are so important to Johnson & Johnson. In that spirit, we are providing health education to Chinese families, we are helping and celebrating people who care for others and we are providing products and services to Olympic athletes and medical staff.

The Johnson & Johnson Medical Science Centre in Beijing is the official training center for medical personnel who are volunteering for the Games. Senior staff from Johnson & Johnson Medical (China) Ltd. and Xian-Janssen Pharmaceutical Ltd. are providing training in topics including venue medical care, spectator care, emergency response, medical venue management and leadership skills.

Adopting Schools to Engage Employees in Community Work

At Johnson & Johnson Medical (India) Ltd., employees are entitled to five working days of CSR (corporate social responsibility) leave to work on CSR projects in the community. The Mumbai facility created an "Adopt a School" program and 24 schools were adopted in the neighborhoods or hometowns of participating employees. The program emphasized infrastructure upgrades that would have a lasting impact. Drinking water systems and bathrooms were upgraded in several cases. Poor sanitation was one of the reasons children, particularly girls, did not continue schooling. At many of the schools, safety hazards — dilapidated roofs and ceilings, rotting wood and electrical hazards — were eliminated.

INVESTING IN WOMEN'S EDUCATION

Five different employee diversity groups at LifeScan Inc. in Milpitas, CA came together in 2007 to support the Women's Institute for Secondary Education and Research (WISER) and raise employee awareness to a dimension of diversity that serves the community. WISER is a non-profit organization working to build the first girls' boarding school in Muhuru Bay, Kenya.

Muhuru Bay is a small fishing village in the Nyanza province, which has the highest HIV and malaria infection rates in the country. The province is the poorest in the country, and due to its political isolation, Nyanza has not participated in the economic development that has occurred in other regions of Kenya. As is common around the world, girls suffer the most in impoverished communities such as Muhuru Bay.

The province has one of the lowest rates for girls completing secondary school. Although Kenya has legislated compulsory primary school, girls often do not complete it due to family roles, forced marriages and early pregnancies. WISER recognizes that women are currently the most underutilized resource in the region and therefore, they are potentially pivotal in promoting community health.

In addition to raising \$40,000 for WISER, LifeScan taught their employees about women's equality, HIV/AIDS and the role of economic under-development in the region. The new boarding school will accommodate 320 girls; the former school had space for only sixty. WISER believes that the safe environment for educating women will cultivate the next generation of community leaders.

Reducing Environmental Impacts Through Green Science

Across the enterprise, Johnson & Johnson scientists are reducing environmental impacts through "green science." We have great opportunity to advance environmental protection and sustainable development at the research and development stage and our operating companies have reported a number of successful process redesigns that are delivering good environmental benefit while increasing process efficiency.

The chemical development team at Johnson & Johnson Pharmaceutical Research & Development, LLC (J&JPRD) identified an unprecedented synthesis route that more than tripled the overall manufacturing yield for tapentadol hydrochloride, a promising analgesic drug for the treatment of moderate-to-severe pain. The team's innovative work reduced process waste volume by approximately 80 percent, eliminating the use of about six million liters of solvent per year.

Another J&JPRD improvement came from the use of supercritical fluid chromatography (SFC) technology in the experimentation stage of research. SFC is similar to liquid chromatography but instead of using liquid solvents, it employs compressed fluids such as carbon dioxide. The J&JPRD facility in Beerse, Belgium now runs seven times the number of experiments they used to be able to run in a given period of time due to increased efficiency. At the same time, solvent use decreased about 70 percent.

From our Medical Devices & Diagnostics business segment, Vistakon (a division of Johnson & Johnson Vision Care, Inc.) uses silicon hydrogels to make ACUVUE® ADVANCE™ contact lenses. Because silicon materials are adversely affected by water, solvents have long been used to remove residual impurities from the lenses during manufacturing. Vistakon has made significant process changes to optimize the cleaning process, reducing solvent use by 70 percent. Vistakon scientists hope to eventually eliminate solvent use altogether.

Supporting More Solar Energy

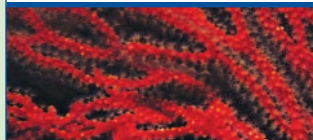
When McNeil Nutritionals LLC launched its SUN CRYSTALS™ Brand of natural sweetener in 2007, it committed to donating one percent of the revenue from SUN CRYSTALS™ sales to solar energy projects on a yearly basis, for the life of the brand. In 2007, \$32,000 was committed to the Solar Electric Light Foundation, an organization dedicated to bringing sun-powered energy to rural communities in Brazil, Africa, China, India, Indonesia, Sri Lanka, Vietnam, and the United States. This money was used to fund a complete solar electricity system for the Partners in Health clinic in Rwanda, Africa. The clinic will serve the critical health care needs of the local community, approximately 26,000 people. Additionally, every box of SUN CRYSTALS™ is made from 100 percent recycled paper, with a minimum recycled content of 35 percent post-consumer content.

Transforming Diabetes Care

Diabetes affects more than 180 million people worldwide and is predicted to double to 360 million people by 2030. The Johnson & Johnson Diabetes Institute was established in 2007 to transform diabetes care by providing training on the latest practice standards, new diabetes tools and technologies, and reimbursement solutions. Our operating companies are investing the necessary resources to open and operate new state-of-the-art instructional facilities worldwide, starting with Japan in 2007 and the U.S., China and France by mid-2008. Through this Institute, we are determined to provide medical staff with the latest information and practical skills so they can help their patients live healthier, longer lives.

ENSURING POSITIVE COMMUNITY RELATIONS

To ensure open dialogue and communication at our Janssen Pharmaceutica NV operations in Belgium, the business established a toll-free phone number for community members to use when they wished to share a thought or concern with Janssen. Through this mechanism of open communication, Janssen learned of issues related to odor, noise and vehicular traffic. Responses were prompt, and several facility upgrades were undertaken to address concerns. The open dialogue and resulting projects were much appreciated by facility neighbors and Janssen continues to benefit from a positive relationship with the community.



Partnering to Protect Coral Reefs

Cordis Corporation in Miami Lakes, Florida, forged a partnership to help incubate and restore damaged coral reefs in the Biscayne Bay. Coral reefs are living ecosystems that have a very small growth rate; yet, they are vital for a healthy underwater ecosystem. Covering less than one percent of the ocean floor, coral reefs support an estimated 25 percent of all marine life. Working with a team from the Biscayne National Park, approximately 60 Johnson & Johnson volunteers are helping to rescue and restore segments of the coral reefs.

Restoring a Forest

Our manufacturing campus in Sao Jose dos Campos, Brazil, took on the effort of planting 10,000 native trees to replace those lost to deforestation. When the desired native species of trees were not locally available, they created a nursery to produce the needed trees. Approximately 7,000 trees are being produced each year. To date, 3,000 trees have been planted by employees, and thousands more are donated for planting each year to local schools and community groups.



R E C O G N I T I O N S

RECOGNITION/AWARD	DESCRIPTION
100 BEST CORPORATE CITIZENS 2007	<i>CRO Magazine</i> selects the 100 best companies that are proving good corporate citizenship and good business go hand-in-hand.
AMERICA'S MOST ADMIRABLE COMPANIES, 2007	<i>FORTUNE</i> magazine recognized Johnson & Johnson for attraction and retention of talent, performance measurement, strategy implementation, and managing through economic uncertainty.
TOP 50 COMPANIES FOR DIVERSITY®, 2007	This <i>DiversityInc</i> list is based on CEO commitment, human capital, corporate communications and supplier diversity. Johnson & Johnson was ranked 17th overall.
100 BEST COMPANIES FOR WORKING MOTHERS, 2007	<i>Working Mother</i> magazine again named Johnson & Johnson to this list, marking our inclusion every year since the list was launched 22 years ago. It recognizes our family-friendly policies for flexible work, child-care, maternity and paternity leave, elder care and other programs and services.
WORLD'S MOST RESPECTED COMPANIES, 2007	The financial weekly <i>Barron's</i> conducts an annual survey of institutional investors. It rates the 100 largest public corporations based on market capitalization, in order of the respect they have garnered from these institutions. Johnson & Johnson was ranked second on this list for 2007.
BEST PLACES TO WORK FOR GAY, LESBIAN, BISEXUAL AND TRANSGENDER EQUALITY, 2008	The Human Rights Campaign Foundation listed Johnson & Johnson on their Corporate Equality Index for the third year in a row.
AMERICA'S BEST ADOPTION-FRIENDLY WORKPLACES, 2007	The Dave Thomas Foundation For Adoption® recognized Johnson & Johnson for its adoption benefits which include financial assistance and paid leave for employees who adopt.
TOP 10 BEST COMPANIES FOR LEADERS, 2007	<i>Chief Executive Magazine</i> recognized Johnson & Johnson for having the right quantity and quality of leaders to face an impending leadership crisis that is fueled by retirement in some areas of the world, or by fast-paced growth in other areas.
EXECUTIVE LEADERSHIP AWARD, LEADER IN BUSINESS PRACTICES	CNBC News Network annually recognizes executives who have shown exemplary leadership, inspiration and innovation. Our CEO, William C. Weldon received this award.
DOW JONES SUSTAINABILITY INDEX, NORTH AMERICA, 2007	Johnson & Johnson stock has been included in this index since 2000. The DJSI family follows a best-in-class approach to identify sustainability leaders in each industry.
FTSE4Good INDEX, 2007	Johnson & Johnson has been independently assessed according to FTSE4Good criteria and has satisfied the requirements to become a constituent of this index, which identifies companies that meet globally recognized corporate responsibility standards.
GREEN POWER LEADERSHIP AWARD, 2007	This award was presented by the U.S. Department of Energy, U.S. Environmental Protection Agency, and the Center for Resource Solutions for the Company's voluntary steps to address climate change by advancing the development of renewable energy markets. Johnson & Johnson was one of seven companies named Partner of the Year.
DISCOVERY AWARD, 2007	The American Geriatric Foundation recognized Johnson & Johnson Pharmaceutical Research and Development, L.L.C. for its commitment to the well being of older adults, their families and the communities in which they live. PRD's Dr. Garry Neil was honored for his outstanding business, civic and philanthropic leadership.
START! FIT FRIENDLY COMPANIES AWARD	The American Heart Association recognized 65 Johnson & Johnson operating locations, at their highest level, for championing employee health and working to create a culture of physical activity in the workplace.
CEO CANCER GOLD STANDARD™ AWARD	Johnson & Johnson is one of only 13 companies that have fully satisfied the CEO Roundtable on Cancer's requirements for cancer-related practices. The Roundtable was formed to make continual progress on the elimination of cancer and our CEO, William C. Weldon, chairs it.
NATIONAL ENVIRONMENTAL PERFORMANCE TRACK CORPORATE LEADER	The U.S. Environmental Protection Agency recognizes Johnson & Johnson as one of just four Corporate Leaders. The voluntary initiative is based on facility performance, exemplary compliance and environmental goals that go beyond compliance.
CORPORATE LEADERSHIP AWARD	The Association for Safe International Road Travel presented this award to Johnson & Johnson in recognition of our contributions to road safety through our Global Safe Fleet Initiative.
ADVANCEMENT, COMMITMENT, AND ENGAGEMENT (ACE) AWARD	Healthcare Businesswomen's Association (HBA) named Johnson & Johnson the first winner of the HBA ACE Award. The award recognizes the depth, breadth and global reach of the Company's Women's Leadership Initiative, which works to increase the number of women in the organization and develop their leadership competencies.

ECONOMIC INDICATORS	UNIT	2005	2006	2007
Sales	US dollars, millions	50,514	53,324	61,095
	% change over previous year	6.7	5.6	14.6
Net Earnings	US dollars, millions	10,060	11,053	10,576
	% change over previous year	23.0	9.9	(4.3)
Share Price (end of calendar year)	US dollars	60.10	66.02	67.38
Operating Companies	Number, approximate	230	200	250
Employees	Number, approximate	115,600	122,200	119,200
	Number/\$million sales	2.3	2.3	2.0
Research & Development	US dollars, millions	6,462	7,125	7,680
	as % of sales	12.8	13.4	12.6
Effective Income Tax Rate	% of income	23.3	24.2	20.4
Advertising Costs	US dollars, billions	2.1	1.9	2.7
	as % of sales	4.2	3.6	4.4
Charitable Contributions	US dollars, millions	591.9	544.8	509.9
	as % of pre-tax income	4.3	3.7	3.8

EMPLOYEE HEALTH INDICATORS	UNIT	1995-99 AVERAGE	2005	2006	2007
Tobacco Use	% of profiled U.S. employees	12	5	4	4
High Blood Pressure (above 140/90)	% of profiled U.S. employees	14	10	6	6
High Cholesterol (above 240 mg/dl)	% of profiled U.S. employees	19	8	6	7
Inactivity (below 30 min/day, 4 days/week)	% of profiled U.S. employees	39	38	35	36

EMPLOYEE SAFETY INDICATORS	UNIT	1995	2005	2006	2007
Serious Injury/Illness Rate	Incidents per 100 employees	0.07	0.03	0.03	0.02
Lost Workday Case Rate	Incidents per 100 employees	0.31	0.06	0.07	0.08
Fleet Car Accidents	Accidents per million miles driven	8.76	4.86	5.32	5.30
Ergonomic Injuries	% of lost workday cases	48	21	28	33

ENVIRONMENTAL INDICATORS	UNIT	2005	2006	2007
Accidental Releases	Number of events	9	9	9
Agency-Issued Noncompliances	Number of events	18	11	13
Fines Paid	\$US	5,819	5,580	31,410
ISO 14001 Certifications (for manufacturing and R&D sites)	% of facilities with certification	96	100	100
Energy Use	Billion BTU (3,412 BTU per KWH)	12,961	12,920	13,126
Carbon Dioxide Net Emissions	Thousand metric tons	961	891	923
Voluntary CO ₂ Offsets (incl. RECs)	Thousand metric tons	317	395	400
Water Use	Million m ³	12.5	13	11.8
Non-Hazardous Waste	Million kg	60.0	57.2	54.0
Hazardous Waste	Million kg	35.2	38.9	33.8

KEYWORD	PAGE(S)
access to health care	2, 5-7, 13
accountability	11, 12
animal welfare	13, 15
benchmarking	22, 25, 27
benefits, employee	24-25
biodiversity	28, 36
business conduct	10, 12, 22-23
CEO letter	1
challenges	1-2, 6-7, 11, 13, 15
charitable giving	5-6, 22, 34-38
climate change	1-2, 15-18, 20, 29-30
collective bargaining	24
community	3, 21, 34-38
company profile	3-4
compliance	10-11, 22, 28
conservation	29
contact us	IFC
customers	3, 14-15, 14, 23
disaster relief	35, 37
diversity	21, 24
employee assistance	24-25
employee health & wellness	1, 24, 26-27
energy	16-18, 40
environmental	2, 13-20, 28-33, 36-38
equal employment opportunity	25
external manufacturing	19-20
financial performance	3-4, 40
fleet	18, 29
goals	1, 16-17, 19-20, 24-33
governance	3, 23
HIV/AIDS	1-3, 6-7, 26, 35, 37
intellectual property	23
ISO 14001	29
marketing	11
nanotechnology	12
nursing	8-9
packaging	15, 29-32
partnerships	4, 7, 9, 17, 20, 22, 27, 29, 33-38
pharmaceuticals in the environment	31
policies	12-13, 16, 20, 22-23, 28
pricing	23
product safety/stewardship	13-15, 22, 32
products	4, 22
public policy	23
recognitions	25
research & development	1, 12-13
safety	25, 27
stakeholders	IFC, 3-9, 11, 25, 30, 32
stem cells	12-13
strategy	1, 3, 11
supply chain	19-21, 29-30
training	24-28
transparency	1, 32
transportation	18, 20, 25
waste	13, 15, 33, 38
water	33, 36-38

IFC: Inside Front Cover

GLOBAL REPORTING INITIATIVE, G3

PROFILE	
Strategy & analysis	1-2, 40
Organization profile	3-4, 40
Report parameters	IFC, 3
Governance	BC, 3, 22-23
Stakeholders	4, 6-8, 11, 14, 17, 22-23, 25, 27, 32

ECONOMIC	
DMA	3
EC1	3-4, 40
EC2	18
EC6	21

ENVIRONMENTAL	
DMA	16, 28-33
EN1	31-32
EN2	30
EN3	40
EN5,6,7	16-18, 40
EN8	33, 36, 40
EN13	28-29, 36, 38
EN14	28, 36
EN16,18	16-18, 40
EN17	18, 29
EN19	30
EN22	33
EN23	28
EN26	14-15, 20, 29-31, 32, 38
EN27	29-30, 32
EN28	29
EN29	18, 20, 29

LABOR PRACTICES	
DMA	24-27
LA1	3, 40
LA3	25-26
LA5	24
LA7	25-27, 40
LA8, LA10	24-27
LA11	24, 27
LA13	24

HUMAN RIGHTS	
DMA	19, 22, 24-25
HR1, HR2	19-20
HR5	24
HR6	19-20

SOCIETY	
DMA	2-7, 10-13, 17-18, 22-23
SO1	29-31
SO2, SO3	22
SO5	5-6, 12-13, 17-18, 23, 27, 29
SO8	28, 40

PRODUCT RESPONSIBILITY	
DMA	1, 3-4, 10-12, 14-15, 22, 38
PR1	32, 38
PR2	10-11
PR5	4
PR6	6, 40
PR8	6

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OUR CREDO

We believe our first responsibility is to the doctors, nurses and patients, to mothers and fathers and all others who use our products and services. In meeting their needs everything we do must be of high quality. We must constantly strive to reduce our costs in order to maintain reasonable prices. Customers' orders must be serviced promptly and accurately.

Our suppliers and distributors must have an opportunity to make a fair profit.

We are responsible to our employees, the men and women who work with us throughout the world. Everyone must be considered as an individual. We must respect their dignity and recognize their merit. They must have a sense of security in their jobs. Compensation must be fair and adequate, and working conditions clean, orderly and safe. We must be mindful of ways to help our employees fulfill their family responsibilities. Employees must feel free to make suggestions and complaints. There must be equal opportunity for employment, development and advancement for those qualified. We must provide competent management, and their actions must be just and ethical.

We are responsible to the communities in which we live and work and to the world community as well. We must be good citizens—support good works and charities and bear our fair share of taxes. We must encourage civic improvements and better health and education.

We must maintain in good order the property we are privileged to use, protecting the environment and natural resources.

Our final responsibility is to our stockholders. Business must make a sound profit.

We must experiment with new ideas. Research must be carried on, innovative programs developed and mistakes paid for. New equipment must be purchased, new facilities provided and new products launched. Reserves must be created to provide for adverse times. When we operate according to these principles, the stockholders should realize a fair return.

Johnson & Johnson

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