

Responsible Palm Oil Sourcing Criteria

Background

Palm oil, and its by-product palm kernel oil, are widely used vegetable oils grown mostly for food. They are also refined for use in bio fuels, chemicals and personal care products. Palm oil is the highest yielding vegetable oil and when grown responsibly, it is land-efficient crop that contributes greatly towards alleviating poverty and providing nutrition in many tropical countries. However, when the growing is not managed properly, expansion of palm oil can affect valuable tropical ecosystems like highly biodiverse forests and ancient carbon-rich peatlands, it can negatively impact water resources, and it can foster conflict between local indigenous communities and growers.

Global palm oil production was estimated at 67 million tons in 2017 and production is forecast to increase to reach 84 million tons by 2020. While most of this production is destined for use in food, small amounts of palm oil and palm kernel oil can be used in the production of specialist ingredients that in turn are used in soaps, shampoos, lotions and creams.

Johnson & Johnson Use of Palm and Palm Kernel Oils

In 2017, the Johnson & Johnson Family of Companies purchased 8 tons of palm oil – a tiny fraction of the 67 million tons produced. In addition, we purchased ingredients for our products, called derivatives, that used about 81,400 tons of palm oil and palm kernel oil as feedstocks in their production. While our total usage of palm oil and derivatives from palm and palm kernel oil represents a tiny 0.1% of global production, we are committed to using our reputation and buying position to do our part to drive responsible growing practices worldwide.

Johnson & Johnson Supplier Standards & Sourcing Criteria

Johnson & Johnson expects its suppliers to meet our [Responsibility Standards for Suppliers](#). These detail our expectations for business conduct, labor practices, workplace safety and environmental stewardship.

In addition to these general standards, our suppliers who purchase palm or palm kernel oils, or who purchase ingredients derived from palm oil and palm kernel oil, are expected to ensure the sources of these oils meet the following criteria:

- 1) A legal source, preferably from where the principles and criteria of the Roundtable for Sustainable Palm Oil (RSPO) or a recognized equivalent certification have been implemented.
- 2) A plantation that is suitable as defined by the High Carbon Stock (HCS) Approach methodology (including High Conservation Value (HCV) and Free Prior and Informed Consent (FPIC)).¹
- 3) A supplier that ensures the protection of peatlands, HCV areas and HCS forests within their concessions.
- 4) A supplier that does not use burning to clear land for either development or re-planting.
- 5) A supplier that does not use forced, bonded or child labor, and respects the rights of all workers including contract, temporary and migrant workers.
- 6) A supplier that respects and includes smallholders in their supply chain.

Implementing Our Standards

As a company with global supply chains, it is essential that the suppliers we choose to do business with share a common set of values including:

- Social and environmental responsibility.
- A drive for full transparency across the supply chain.
- Partnership and collaboration to effect positive industry change.
- A commitment to continual improvement.

In partnership with our like-minded suppliers, we implement our standards by:

1. Using our influence and voice within industry to advocate for positive change at scale

We are committed members of the RSPO and believe a strong, supported and recognized standard is the best way of ensuring long-term responsible production. We are committed to using our voice to strengthen the RSPO's governance and standards so it is more aligned to our sourcing criteria and needs. As a step forward, we are committed to using RSPO-certified material from mass balance and segregated sources, and to increasing our supply of certified material every year. We are also members of the Consumer Goods Forum through which our collective voice can help build capacity to meet expectations across the palm oil industry.

2. Ensuring our largest suppliers – those that make up 85% of our total incoming ingredients derived from palm and palm kernel oil – have sourcing criteria as strong as ours and a robust plan to implement them

As a derivatives buyer, we are many links in the chain away from the original source of palm oil and palm

kernel oil that serve as feedstocks for what will eventually become an ingredient in our products. As such, a critical first step is to engage the suppliers with whom we have the greatest spend to adopt their own sourcing criteria that they in turn may cascade down the supply chain.

3. Requesting data about and conducting risk assessments of the sources of palm and palm kernel oils that enter our supply chains

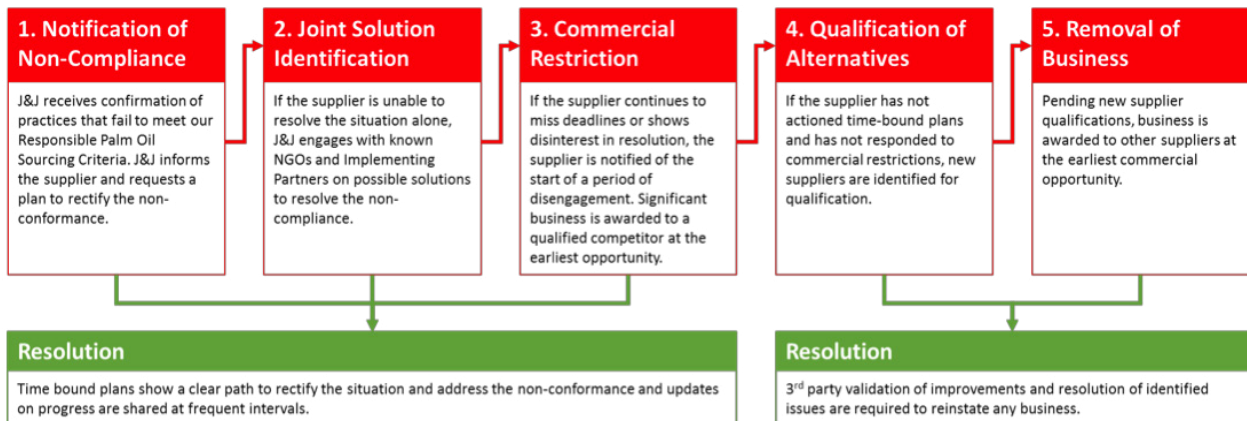
Supply chain transparency in oil derivatives is extremely challenging, given the roles of traders and the nature of liquid commodities. We aim to achieve enough transparency to conduct a meaningful risk assessment for conformance to our sourcing criteria. If we do not have sufficient information, we carry on pushing for more transparency until we can determine if risk is low or high for non-conformance to our sourcing criteria. We partner with The Forest Trust (TFT) to gain access to source information that our suppliers deem to be sensitive and confidential. There are also instances where we may pilot and support technology solutions to gather data and risk assess sources in partnership with our suppliers.

4. Verifying conformance to our criteria when risk for non-conformance is deemed to be high

When a source is deemed to be low risk for non-conformance to our criteria, no further action is warranted. When a source is deemed to be high risk for non-conformance to our criteria, we will engage credible third parties to verify the source practices on the ground.

5. Acting where we are shown credible evidence or when we verify non-conformance to our sourcing criteria

If non-conforming sources are verified, it is expected that a time bound action plan, approved by Johnson & Johnson and our direct supplier, will be developed swiftly and put into action. Progress will be reviewed regularly. Our overall process on how we manage our direct suppliers after a non-conformance is identified in our joint supply chains as outlined below, including steps we take when suppliers do not execute action plans in good faith or in a timely manner.



6. Supporting projects led by NGOs that work to improve palm oil production practices

We support projects, ideally in partnership with our suppliers in our direct supply chains, that increase production of certified palm oil, increase yields on existing plantations, improve smallholder conditions, conserve HCS areas or peatland, and/ or increase the transparency of palm and palm kernel supply chains.

7. Reporting our progress

Due to the sensitive nature of our supplier relationships, we do not report specific supplier information on a one-off basis. We work through TFT to provide aggregated information about our progress against implementing our standards, including if we find non-conformances and their resolution status, on a regular basis.

¹ <http://highcarbonstock.org/>

Last updated: May 2018