

# Responsible Palm Oil Sourcing Criteria

## Background

Palm oil is the most widely used vegetable oil in the world because of its versatility and efficiency. It is a common ingredient and feedstock to ingredients in packaged foods, biofuels and personal care products. Palm oil growing regions are home to immense tropical rainforests. Palm oil plantations have expanded in recent decades to meet growing demand, raising stakeholder concerns about palm oil cultivation and its links to deforestation, and the associated negative impacts on the environment, biodiversity and local communities.

At Johnson & Johnson, we are committed to doing our part to address the unsustainable rate of global deforestation, particularly in precious rain forests. We recognize and share other stakeholders' concerns about the negative effect palm oil sourcing can have on the environment and local communities.

Johnson & Johnson has developed the following criteria and implementation plan for any palm oil and palm oil-based derivatives we buy to minimize our potential impacts on forest resources. We are committed to implementing our sourcing criteria across our top suppliers representing at least 85 percent of our volume by year-end 2020. Central to this commitment is the difficult task of improving transparency in our palm oil derivatives supply chains.

## Our Sourcing Criteria

As a company with global supply chains, Johnson & Johnson strives to work with suppliers that share a common set of values, including:

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

We expect all our direct suppliers to meet the [Johnson & Johnson Responsibility Standards for Suppliers](#), which details our expectations for supplier business conduct, labor practices, workplace safety and environmental stewardship. In addition to these general standards, we have worked with our partner [Earthworm Foundation \(EF\)](#) (previously known as The Forest Trust) to develop and implement specific sourcing requirements for our suppliers that purchase palm oil, palm kernel oil or ingredients derived from palm and palm kernel oils. These suppliers are expected to ensure the sources of the oils are from:

1. A legal source, preferably from where the principles and criteria of the Roundtable for Sustainable Palm Oil (RSPO) are met, or where a recognized equivalent certification has 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])
3. A supplier that ensures the protection of peatlands, HCV areas and HCS forests within its concessions
4. A supplier that does not use burning to clear land for either development or replanting
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 its supply chain

We work closely with our direct suppliers to implement our sourcing criteria in their own supply chains.

As primarily a derivatives buyer, we are multiple 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. A critical step, therefore, is to engage the suppliers with which we have the greatest volumes to adopt their own sourcing criteria, which they in turn may cascade up the supply chain.

## Our Process for Managing Nonconformance

We monitor supplier and producer performance to verify conformance to our responsible palm oil sourcing criteria using a wide range of technologies and partners. Central to this is our work with EF to gain access to source information that our suppliers deem 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.

When an instance of nonconformance is verified, we take specific actions depending on where a producer falls in our supply chain and the amount of commercial influence we may have. We have defined four potential supply chain scenarios:

- Scenario A: If a nonconforming producer is a direct supplier to Johnson & Johnson, our commercial influence over the producer is direct and strongest.
- Scenario B: If a nonconforming producer is the parent company of a direct supplier to Johnson & Johnson, our commercial influence is indirect with the producer and is less strong.
- Scenario C: If a nonconforming producer directly supplies to a Johnson & Johnson supplier, our influence is indirect and we are reliant on our direct supplier to engage and influence the nonconforming producer.
- Scenario D: If a nonconforming producer is multiple tiers up the supply chain from Johnson & Johnson and our direct supplier, our influence is indirect and limited by the multiple layers in the supply chain. In these cases, Johnson & Johnson pursues opportunities to work with our suppliers, partners and other stakeholders to collectively engage the producer to correct the nonconformance.

[Click here](#) for a graphic that outlines our nonconformance process including the action pathways for each scenario.

Our primary approach is to engage and give nonconforming producers the opportunity to improve their practices and come into conformance with our sourcing criteria. One of the ways we do this is by inviting the

producer to join the EF High Impact Supplier Program aimed at individual dialogue with producers and development of case-by-case solutions based on local context.

In some cases, when there is insufficient progress against time-bound plans or a lack of responsiveness to our request to correct nonconformance, as a final step we will take commercial action in line with our relationship to the nonconforming producer per the above scenarios. In several cases, we have asserted commercial influence to move business away from nonconforming actors. We continually qualify alternative sources to enable us to execute commercial restrictions if it becomes necessary.

## Our Progress Update

We work in collaboration with EF to aggregate information about our progress in implementing our sourcing criteria. We will continue to provide annual updates on our progress in this document, in our [Health for Humanity Report](#), and through our [RSPO Annual Communication on Progress](#). Our latest updates may be found here:

- [Responsible Palm Oil Sourcing Criteria—Progress Update](#)
- [List of Direct Suppliers](#)
- [List of Potential Mills](#)

*Last Updated: June 2020*