

Responsible Palm Oil Sourcing Policy

Background

Forests are a vital resource, critical to the health of all the people, plants and animals that inhabit our planet. They provide us with oxygen, food and medicine. They also sustain ecosystem services such as water purification, and mitigation of natural hazards like droughts, floods and landslides. Today, forests cover approximately 30% of the land area on Earth; approximately 300 million people worldwide live in forests; and 1.6 billion people depend on forests for their livelihoods.¹

Forests also play an important role in mitigating climate change. When forests are cut, burned or otherwise removed for agricultural purposes they no longer act as a carbon sink, but instead emit carbon, which contributes to changes in climate patterns.

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

Relevance

As the world's largest and most broadly based healthcare company, Johnson & Johnson understands that human health is inextricably linked to environmental health—healthy people need a healthy planet. This means that to create healthier societies, we must have an unwavering commitment to protecting our planet and the vital resources upon which we all rely, today and in the future. Conserving the world's forests and respecting human rights contributes positively to both environmental and human health.

Johnson & Johnson is primarily a buyer of palm oil derivatives, meaning that our upstream suppliers may use a very small amount of palm oil and palm kernel oil to manufacture an ingredient we purchase. The amount of palm oil used in the production of these ingredients is less than 0.1% of the global production of palm oil. We do not own or manage palm oil plantations, and we are multiple links in the chain away from the original source of palm oil and palm kernel oil. However, we share other stakeholders' concerns about the negative effect palm oil sourcing can have on the environment and people, and we recognize that we can play a role in supporting responsible palm oil production through our sourcing of these ingredients.

Johnson & Johnson is committed to eliminating deforestation² and respecting human rights in its palm oil, palm kernel oil and palm-based derivatives supply chains. However, we recognize that Johnson & Johnson

¹ <https://www.worldwildlife.org/threats/deforestation>

² In accordance with the definitions of the Accountability Framework Initiative, deforestation is defined as the loss of natural forest as a result of: i) conversion to agriculture or other non-forest land use; ii) conversion to a tree plantation; or iii) severe and sustained degradation.

cannot end deforestation on its own; we are reliant on multi-stakeholder collaboration and transformation of upstream supply chains. Our Responsible Palm Oil Sourcing Policy and annual progress updates outline the actions our Company is taking to support the supply chain transformations that are necessary to protect the environment and the people in our palm oil sourcing regions.

Our Sourcing Principles

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

We expect all our direct suppliers to meet the [Johnson & Johnson Responsibility Standards for Suppliers](#), which details our expectations for supplier business conduct, human rights and labor practices, workplace safety and environmental stewardship.

In addition to these Standards, we have worked with Earthworm Foundation, a trusted, international nonprofit organization with 20 years of experience in finding solutions to major social and environmental problems, to develop and implement specific sourcing requirements for our suppliers that purchase palm oil, palm kernel oil or palm-based derivatives. We expect our direct suppliers to:

- Implement and cascade sourcing principles aligned with our own in their supply chains
- Provide supply chain transparency and traceability
- Respect human rights in their own operations and business relationships
- Partner and collaborate to effect positive industry change
- Work to reduce the greenhouse gas emissions and pollutant emissions associated with their supply chains

We expect our suppliers to meet the sourcing principles below and to ensure the sources of palm oils are from:

1. A legal source, preferably from where the principles and criteria of the Roundtable on 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;
6. A supplier that respects the rights of all workers and local communities, including migrant workers, women workers and those on temporary contracts or in the informal economy;
7. A supplier that respects and includes smallholders in its supply chain; and
8. Areas that have not been cleared of natural forest after December 31, 2015.

Our Commitments

Johnson & Johnson is committed to the responsible sourcing of palm oil, palm kernel oil and palm-based derivatives, which includes removing commodity-driven deforestation from our supply chain and respecting human rights in our business relationships. In support of this commitment, our ambition is to:

- Maintain 100% RSPO certification for the palm oil, palm kernel oil, and palm-based derivatives we purchase
- Purchase at least 50% of our volumes from RSPO physical³ supply chains by year-end 2025
- Verify our sourcing principles are implemented across our top suppliers representing at least 90% of our volume

We implement a grievance process when instances of nonconformances with our sourcing principles are verified.

Our Grievance Process

We monitor supplier and producer performance to verify conformance to our responsible palm oil sourcing principles using a wide range of partners and technologies, with a preference for use of independent third-party verification methods where available. 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 to our sourcing principles occurs, we take specific actions depending on where a producer falls in our supply chain and the amount of commercial influence and leverage we may have. We have defined four potential supply chain scenarios related to our grievance process. [Click here](#) for a graphic that outlines our grievance process including the action pathways for each scenario.

Our primary approach is to engage and to give nonconforming producers the opportunity to improve their practices and to come into conformance with our sourcing principles.

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 producers. We continually qualify alternative sources, which enables us to execute commercial restrictions if it becomes necessary.

Our Progress

We work in collaboration with external partners to aggregate information about our progress in implementing our sourcing principles. We provide annual updates on our progress on this page and through our [RSPO Annual Communication on Progress](#). Our latest updates may be found here:

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

³ RSPO physical supply chains are defined as Identity Preserved, Segregated and Mass Balance certification models.

Application

This Responsible Palm Oil Sourcing Policy is relevant to the Johnson & Johnson Family of Companies, as detailed in our [governance materials](#).

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