

Responsible Palm Oil Sourcing Criteria — Progress Update

Introduction

Johnson & Johnson has a long-standing commitment to environmental stewardship grounded in Our Credo, which reminds us that we must protect the environment and natural resources that we are privileged to use. This responsibility extends to a commitment to do our part to curtail the unsustainable loss of the Earth's natural forests.

Our Pursuit of Transparency & Traceability

Johnson & Johnson purchases ingredients that could be made from palm oil and palm kernel oil feedstocks. Tracing the source of palm oil derivatives presents significant challenges. Feedstocks are mixed and then shipped around the world and altered into ingredients through multiple processing steps owned by multiple suppliers in a supply chain. Achieving transparency and sourcing goals is substantially more difficult for palm oil derivatives buyers, such as Johnson & Johnson, than direct buyers of palm oil because we must rely on our direct ingredient suppliers to cascade and enforce our expectations up multiple tiers of the supply chain.

Despite these challenges, Johnson & Johnson began working with Earthworm Foundation in March 2014 with the aim of increasing our transparency and ensuring that Johnson & Johnson's suppliers of palm oil derivatives meet our sourcing criteria.

Our Progress

For the ingredients Johnson & Johnson purchased in 2019, a total of 65,249 MT of palm oil and palm kernel oil was consumed upstream in our supply chain. For these palm oil derivatives supply chains, we prioritize the implementation of our sourcing criteria with our top suppliers, who together represent at least 85% of this volume.

In partnership with Earthworm Foundation, we continue to achieve year-over-year improvement in pursuit of implementing our Responsible Palm Oil Sourcing Criteria by year-end 2020, including:

- Increased transparency to mill-level for 84% of our palm oil derivatives volumes from our top suppliers.
- Verified that 91% of our palm oil derivatives suppliers have No Deforestation, No Peat, No Exploitation (NDPE) policies in place consistent with our own.

- Achieved 100% certification, through Roundtable for Sustainable Palm Oil (RSPO) certification schemes, for the palm oil and palm kernel oil that serves as feedstock to our derivatives, based on 2019 volumes. Approximately, 13% of our palm oil derivatives are RSPO certified through physical supply chains.
- Updated our direct supplier and potential mill lists on our website for the third consecutive year.
- Improved our CDP Forests score for palm oil to an A-

In the rare cases where we have determined high risk or verified non-conformance to our Responsible Palm Oil Sourcing Criteria, we have engaged those sources in [our non-conformance process](#).

Supporting Transformational Projects

Alongside pursuing higher levels of transparency and implementation of our responsible sourcing criteria, we are also committed to supporting efforts to address environmental and social issues associated with palm oil through actions in our own supply chain and beyond.

Throughout 2019 we maintained our investment in smallholder projects. Through partnerships with Earthworm Foundation's Rurality Project, The Sustainable Trade Initiative, and the University of Wageningen, we have worked with smallholder groups across three regions in Indonesia to:

- improve palm oil fruit quality;
- train farmers on implementing best management practices;
- avoid expansion in areas unsuitable according to RSPO Principles & Criteria;
- identify other potential commodities as alternative income generators; and
- facilitate farmers in obtaining RSPO certification.

In 2019, through the above listed efforts, we impacted over 1,000 smallholder palm oil farmers in key Indonesian palm oil growing regions through our on-going NGO collaborations.

In addition to these programs, we have completed the first full year of our multi-year partnerships with World Wildlife Fund (WWF). Our work together laid the foundation for advancing innovations in sustainable palm oil production that support forests, wildlife, and long-term community well-being. WWF's work synthesized existing research to better understand the relationship between human health, tropical forests, and the threshold at which forests can no longer recover from degradation. Additionally, WWF is conducting a review of critical landscapes impacted by deforestation that are also ripe for demonstrating the potential health benefits of forest conservation. With this information in hand, we are working with WWF to explore and champion innovations in sustainable landscape initiatives and investments that benefit forests and people.

Our Path Forward

Throughout 2020, we will continue to partner with Earthworm Foundation to build upon our work together.

Our continuous improvement efforts will focus on:

- Developing a post-2020 strategy and goals for our palm oil and palm-based derivatives sourcing;

- Monitoring suppliers' palm oil responsible sourcing policies and practices for ongoing alignment to and conformance with our Responsible Palm Oil Sourcing Criteria, and taking actions in line with our non-conformance process; and
- Investing in partnerships that advance NDPE across the palm oil landscape.

We will continue to provide annual updates on our progress on [JNJ.com](https://www.jnj.com) and through our [RSPO Annual Communication on Progress](#).

Last Updated: June 2020