Deforestation-Free Sourcing

The Issue

Anthropogenic and naturally induced loss of tree cover - deforestation\(^1\) – leads to the loss of biodiversity, affects livelihoods of forest communities, is a cause of human rights violations, and is a major contributor to global climate change. Pressures on forests\(^2\) also have unpredictable and potentially severe future impacts on human health as forests are vital to preventing diseases and sustaining good health and diets. In fact, research suggests that agricultural drivers have been associated with 25% of all - and more than 50% of zoonotic - infectious disease that have emerged in humans. Agricultural production plays a key role in health and nutrition but can also increase exposure to disease vectors in some populations\(^3\). As a purchaser of key agricultural and forest-risk commodities, such as paper and pulp, palm oil and soy originated materials, GlaxoSmithKline (GSK) acknowledges our business may contribute to deforestation. We are, however, committed to eliminating deforestation from our supply chains to help end global deforestation.

GSK’s Position

We are committed to deforestation-free sourcing\(^4\) for all key agricultural and forest-risk commodities purchased directly by GSK or indirectly on our behalf by Contract Manufacturers. The complexity of our operations, as well as those of our Contract Manufacturers, makes this an ambitious undertaking requiring a phased approach.

As part of our responsible sourcing strategy, we have identified priority materials that are of strategic importance to our business, and that also have an impact on deforestation. These include paper packaging, palm oil derivatives, soy and cattle derived products.

To date, we have focused on developing sourcing standards for paper packaging based on the Controlled Wood requirements defined by the Forest Stewardship Council (FSC) and palm oil derivatives based on principles set by the Roundtable on Sustainable Palm Oil (RSPO). We have implemented responsible sourcing programs for these commodities in conjunction with the Rainforest Alliance. Adherence to these standards are assured by various mechanisms, including third party assessment, certification and contractual terms. Critical supplier selection criteria have also been developed and being implemented. If a supplier does not show satisfactory progress, we will act accordingly, such as finding an alternative supplier.

Our Commitments

Our commitments to deforestation-free sourcing of key agricultural and forest-risk commodities are as follows:

**Pulp and Paper**

GSK commits to strict standards governing responsible forest management, that exclude:

- Illegally harvested wood
- Wood harvested in violation of traditional and human rights (for example forced or child labour)
- Wood harvested in forests in which high conservation values are threatened by management activities
- Wood harvested in forests being converted to plantations or non-forest use\(^5\)
- Wood from forests in which genetically modified trees are planted.

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\(^1\) As defined by the Accountability Framework (AFi) “Deforestation”

\(^2\) As defined by the Food and Agriculture Organisation (FAO) “forests”

\(^3\) As defined by the Accountability Framework (AFi) “No-deforestation”

\(^4\) As defined by the Accountability Framework (AFi) “No-deforestation”

\(^5\) Paper-based supplies are considered compliant with our commitment if produced on land that has not been subject to deforestation of primary and second-growth natural forest since 2010.
GSK Public policy positions

To achieve these commitments, GSK aims:

- By 2025, to source all of our virgin paper packaging material only from credible certified sources\(^6\) or to source paper packaging material made from recycled raw material.
- By 2030, to source only credible third-party\(^7\) certified virgin paper packaging material or to source paper packaging material made from recycled raw material.

We use around 100,000 tonnes of paper packaging globally in our own operations. We are also gradually increasing the sustainable mix of paper packaging materials we use, which includes over 50% recycled content and the use of materials from certified supply chains.

**Palm Oil**

GSK commits to transparent and traceable supply chains, that:

- Protects high conservation value (HCV) areas, high carbon stock (HCS) forests and peatlands regardless of depth\(^8\)
- Respects the human rights of indigenous peoples, workers and local communities including the principles of Free, Prior and Informed Consent (FPIC)
- Enables smallholders to become successful business owners, improving their livelihoods through responsible production, maximizing yields and improving quality
- Upholds high standards of transparency through reporting of traceability, timebound implementation plans, resolving grievances and achieving third party verified policy compliance.
- Allow access to credible grievance mechanisms for workers local communities to report concerns safely and without fear of recrimination or retaliation

We also expect suppliers to comply with our Working with Third Parties and our Code of Conduct. To achieve these commitments, GSK aims:

- By 2025, to source 100% of our core palm oil materials as sustainable credible third-party certified\(^9\), or to purchase Book & Claim credits in support of certified production\(^10\)

Due to the complex nature of palm oil and palm oil derivative supply chains and GSKs downstream position, this is an ongoing challenge; however, we are gradually moving towards its realisation. We will focus on sourcing physically certified palm oil derivatives (mass balance or segregated) where possible and using Book & Claim credits only when other options are unavailable to ensure sustainable production of palm oil.

GSK uses approximately 30,000 tonnes of materials derived from palm oil in a variety of products, a very small amount of this comprises pure palm oil; the vast majority are palm oil derivatives. Of the derivatives, 80% is glycerine, with the remainder being oleochemicals used in a variety of products. The majority of these materials are sourced from suppliers with sustainable sourcing policies in place. For those suppliers that we don’t believe source sustainably, we work with them to ensure that they develop policies and improvement plans in line with our palm oil standards and policies.

In 2017, we became members of the Roundtable on Sustainable Palm Oil (RSPO); a global, multi-stakeholder initiative promoting the production and use of sustainable palm oil. As part of our membership we commit to reporting publicly on our progress on the sustainable sourcing of palm oil. The latest RSPO report is accessible [here](#).

In 2019 GSK became a member of Action for Sustainable Derivatives (ASD). Together with ASD and its members, GSK aims to scale up efforts towards compliance with No Deforestation, No Peat, No Exploitation (NDPE) principles. By harmonising requirements, tools and methodologies and using a collaborative

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\(^6\) Responsible sources are credible third-party certified processors of raw material (e.g. paper- and pulp mills and printers)

\(^7\) We consider the principles and criteria determined by the Forest Stewardship Council (FSC) and the Programme for the Endorsement of Forest Certification (PEFC) as an appropriate standard for sustainable forest management – whereas preference is subject to preceding risk assessment.

\(^8\) Palm oil and Palm oil derivatives purchases are considered compliant with our commitment if produced on land that has not been subject to deforestation of primary natural forest since November 2007.

\(^9\) Certified Sustainable Palm Oil means that palm oil has been certified according to RSPO principles and criteria or equivalent and that the palm oil being traded conforms to one of the three trading systems: Segregation, Mass Balance or Book and Claim

\(^10\) For GSK core palm oil materials do not include tail ingredients which make up <5% of total volumes.
approach, ASD, increases the transparency of the global derivatives supply chain, collectively monitors risks and activities and implements collective action projects, including with smallholders, to address social and environmental issues on the ground. As a result of ASD transparency initiatives, GSK has achieved transparency of 74% to mill level for its palm oil derivatives’ volumes, during the first year of membership.

In 2020, in collaboration with ASD, we introduced The Sustainable Palm Index (SPI), an evaluation scorecard for suppliers of palm oil and palm kernel oil derivatives, the index was implemented to support procurement decisions. Suppliers were assessed on their progress regarding commitments, processes, and achievements in terms of supply chain knowledge, sustainable sourcing practices, and compliance with No Deforestation, No Peat, No Exploitation principles: more than 70% of our palm oil supply by volume and 67% of our suppliers were found compliant with the SPI. During 2020, we also arranged RSPO supply chain certification for 3 key sites that use glycerine.

Stakeholder Engagement

GSK is committed to working with others in finding deforestation-free solutions. We collaborate with other stakeholders in the supply chain, government, and civil society on deforestation and human rights, as well as related topics, and seek out other opportunities to contribute to industry activities that focus on improving sustainable sourcing for the healthcare industry.

GSK participates in industry groups such as the Consumer Goods Forum, UN Global Compact and reporting indices such as CDP and DJSI. We consult with civil society on our deforestation-free and responsible sourcing strategy and implementation process. Meeting our deforestation commitments also requires close engagement and collaboration with our suppliers and Contract Manufacturers.

Regarding grievance, anyone can raise issues or speak to an independent third party through our Speak Up facility, confidentially or anonymously if they prefer. GSK is committed to promptly investigating all reports of unethical, illegal or inappropriate activity.

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