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As our organization grows, so too does our impact across the pharmaceutical and healthcare industry. We are ready to share our progress and respond to increasing demand for information from our members, partners and stakeholders.

This report gives an overview of our key successes in 2017, our focus for the remainder of 2018, and our new strategy.

2017 has been a dynamic year and we have made great progress against our objectives.

Our vision, to establish and promote responsible practices continues to be supported by our Pharmaceutical Industry Principles for Responsible Supply Chain Management. These Principles articulate what we expect from our suppliers in five areas: Ethics, Labor, Health & Safety, Environment and related Management Systems.

We completed our strategic review which sets the vision and direction for PSCI through to the end of 2020. Our new strategic pillars are: Advancing Leadership; Creating a Community of Improving Suppliers; and Partnering to expand our impact over the next three years.

Over the coming months we will start implementing the new strategy. This will see us focusing on building partnerships, reinvigorating our audit program, and finding creative ways to help suppliers tackle sustainability challenges.

Helping suppliers continuously improve is a central part of what we do. In May 2017, our Supplier Capability training in India brought together suppliers, peers and industry-leading experts, to further build skills and encourage collaboration. It proved to be an excellent platform.

Driving engagement and championing continuous improvement across the supply chain includes upskilling auditors. We delivered our first face-to-face auditor training in India and then again in China.
The event brought together participants from our approved audit companies - seven independent third-party audit companies - and delegates from our member companies, to strengthen technical knowledge in specific high-risk areas. Feedback was very positive.

Participating in events that align to our purpose is a key part of our communications and engagement strategy. PSCI representation at Green Chemistry conferences alongside the American Chemical Society (ACS) Green Chemistry Institute Pharmaceutical Roundtable, the Stockholm International Water Institute (SIWI) World Water Week, and the Convention of Pharmaceutical Ingredients (CPhI) Worldwide were highlights during 2017.

My year as PSCI Chair has been an enriching and rewarding experience, for which I am tremendously grateful and proud. In recent years, we have seen the subject of responsible supply chain management move to the forefront of the responsible business agenda, establishing itself as a necessity for multinational businesses rather than a choice. But there is so much more to be done. We, at PSCI, are working hard to make sure that this is a priority across the pharmaceutical and healthcare industry, resulting in actions not just words. Together we can achieve so much more.

As a collaborative initiative, it is only through the support of our members that we can achieve our goals. The work within our Governance Committee during 2017 to introduce the Membership Accountability Project reinforced this and ensured that expectations of members are clear, allowing us to focus our efforts and maximise progress.

I would like to take this opportunity to extend my personal thanks to every one of our 26 member companies, and the suppliers and stakeholders for their continued support and efforts during 2017, and to the PSCI secretariat for their dedication, energy and passion.

In January of 2018, I handed over the PSCI Chair position to Dr. Birgit Skuballa from Bayer. Birgit has played a critical role within the PSCI team for a considerable length of time already, initially serving as the Board’s Secretariat for three years. Birgit then led the Audit Committee for several years, where she drove significant progress in the overall improvement of the PSCI audit tools and guidance, in addition to auditor qualification and training. Birgit’s expertise, dedication and passion will serve PSCI well, and I wish her great success for the remainder of her term as PSCI Chair.

JULIE BRAUTIGAM, Takeda Pharmaceuticals
2017 PSCI Chair
**VISION & PURPOSE**

Our VISION is to establish and promote responsible practices that will continuously improve ethics, labor, health, safety and environmentally sustainable outcomes for our supply chains.

The PURPOSE of the initiative is to bring together members to define, implement, and champion responsible supply chain practices; fair and safe work places, responsible business practices, environmental sustainability and efficiency of resources and improved supplier capability.

**PRIORITY AREAS**

**FAIR AND SAFE WORK PLACES**
- Worker protection
- Process safety
- Fair treatment
- Wages, benefits and working hours
- Freely chosen employment

**RESPONSIBLE BUSINESS PRACTICE**
- Business integrity and fair competition
- Bribery and corruption
- Data privacy
- Data security

**ENVIRONMENTAL SUSTAINABILITY AND EFFICIENCY OF RESOURCES**
- Water use and management
- Waste management
- Pharmaceuticals in the Environment
- Anti-Microbial Resistance
- Energy use and carbon footprint

**STRATEGIC PILLARS AND OBJECTIVES**

**1. LEADERSHIP**
1.1 Promote the PSCI Principles, audit and methodology to define the industry’s expectations
1.2 Secure a higher profile for PSCI within member companies
1.3 Lay the foundations for becoming the one-stop-shop for responsible procurement in Pharma

**2. A COMMUNITY OF IMPROVING SUPPLIERS**
2.1 Deliver excellence in supplier capability building
2.2 Enhance collaboration among members and suppliers
2.3 Explore a supplier recognition model

**3. PARTNERING**
3.1 Build external partnerships
3.2 Build PSCI’s external profile and visibility
3.3 Offer PSCI as the delivery partner for other sustainability objectives

**GOVERNING WITH TRANSPARENCY AND MANAGING WITH ACCOUNTABILITY**

G.1 Allow greater diversity of members
G.2 Be a healthy, growing, trusted organization
G.3 Develop ways to measure PSCI’s impact
HIGHLIGHTS & ACHIEVEMENTS

2017 has been a productive year during which we built upon the foundations laid down in the PSCI Principles.

PSCI has four working committees - Audit, Supplier Capability, Governance and Communications - which are made up of volunteers from member companies. These committees deliver against the PSCI strategy. This structure is designed to draw on subject-matter expertise from across our member companies, maximizing our impact and efficiency to create continuous improvement in the supply chain.
AUDIT

The Audit Committee leads on providing industry-tailored standardised tools for assessing supplier performance and risk against the PSCI Principles. It drives efficiency through the audit sharing program, and facilitates continuous supplier improvement.

2017 has been a year of growth; growth in audit sharing and growth in the number of approved audit companies.

DELMivering face-to-face auditor training

In February and March 2017, we held our first face-to-face auditor training event, in India, an important sourcing region for many PSCI members. The two-day event brought together 35 participants from our approved audit companies and 23 delegates from PSCI member companies. The goal was to strengthen technical knowledge in specific high-risk areas, further build auditor skills and show auditors how to exploit the tools and templates developed by the PSCI Audit Committee.

Attendees shared practical experience, learnt new techniques, and discussed industry challenges face-to-face with their peers. The training was extremely well received, with positive feedback across all topics.

We ran a second training in China in November 2017. China is another important sourcing country, particularly for Active Pharmaceutical Ingredients (APIs). There is a growing demand for well-qualified local auditors. We brought 55 participants together to equip them with the necessary training to build their auditing skills.

Again, attendee feedback showed that the training was positively received.
PUBLICATION OF AUDIT CHARTER
In 2017, we published the PSCI Audit Committee Charter which has helped us focus our efforts and drive results.

The Charter attracted positive feedback and support from the PSCI members at the 2017 Spring Annual General Members (AGM) meeting.

APPROVAL OF FORMAL AUDIT COMPANIES
Helping PSCI members identify and understand risk in their supply chain, and in turn helping our suppliers actively mitigate these risks, is integral to our strategy. To support this aim, we are proud to have approved seven independent third-party audit companies to perform audits on behalf of PSCI members:

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<th>AUDIT COMPANY</th>
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<tr>
<td>BSI Group</td>
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<tr>
<td>Bureau Veritas (BV)</td>
</tr>
<tr>
<td>Chola MS Risk Services*</td>
</tr>
<tr>
<td>Environmental Resources Management (ERM)</td>
</tr>
<tr>
<td>Golder Associates*</td>
</tr>
<tr>
<td>Intertek</td>
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* only approved for auditing Health, Safety, and Environment and associated Management Systems

The audit companies faced a rigorous screening, selection and approval process. All were required to demonstrate their ability to meet our high expectations and carry out audits in a consistently professional manner.

We will continue working closely with these companies and further building our auditor network.

REFINING OUR AUDIT TOOLS
In October 2017, we launched our new self-assessment questionnaire and audit tools. These Excel tools are designed to be more user-friendly, simplify the reporting process, and help members identify trends and findings that need attention.

These Excel tools are designed to be more user-friendly, simplify the reporting process, and help members identify trends and findings that need attention.

FULL CONTACT DETAILS FOR THE APPROVED AUDIT COMPANIES CAN BE FOUND ON THE PSCI WEBSITE
SUPPLIER CAPABILITY

Building supplier capability is a vital component of PSCI’s efforts to drive responsible procurement practices across the pharmaceutical and healthcare supply chain.

The Supplier Capability Committee’s aim is to leverage the knowledge of member company experts and generate resources that drive continuous supplier improvement and adherence to the PSCI Principles. The committee, supported by eight subject-matter expert sub-teams, concentrates on creating knowledge transfer through customised conferences, interactive webinars and an extensive resource library. These help improve suppliers’ abilities to identify and resolve social, environmental and ethical issues.

As PSCI’s membership has grown during 2017, the capability building platform continues to create more opportunity to reach out to a larger supply base.

ENGAGING WITH OUR STAKEHOLDERS

Stakeholder engagement is critical in all aspects of our work. One of the broadest areas of potential impact is through suppliers.

The Supplier Capability workstream is one of PSCI’s most effective ways to drive change in the supply chain. Working directly with suppliers and other key stakeholder organizations, we can demonstrate the value that the PSCI Principles bring and how application of the Principles can enhance day-to-day operations. Direct engagement is an integral part of the supplier capability strategy and, to do this effectively, we work in partnership with and provide speakers for relevant events, whenever possible, as well as running events ourselves.

Notable engagements during 2017 included:

1. **Green Chemistry and Enhancing Environmental Performance Conferences (Vizag, India)**

   In February, PSCI, the ACS Green Chemistry Institute Pharmaceutical Roundtable (GCIPR), and the Green ChemisTree Foundation sponsored the Green Chemistry and Enhancing Environmental Performance conferences in Vizag, India. The three-day event was attended by over 160 participants and focused on the environmental challenges facing the pharmaceutical industry, best practices for responsible manufacturing and green chemistry solutions to enhance our businesses.

2. **CEO Roundtable to promote Responsible Environmental Practices and Green Chemistry Solutions (Hyderabad, India)**

   Working with Nordea Investment Bank’s Sustainable Investment group, PSCI again partnered with GCIPR and the Green ChemisTree Foundation India to bring together 39 CEOs / senior leaders from India’s top pharmaceutical manufacturing companies. At the event we discussed and promoted the need to improve India’s environmental performance and to follow responsible manufacturing practices in Labor, Ethics, Environment and Health & Safety. The event provided a unique opportunity to promote the PSCI Principles and good green chemistry practices as a means to create sustainable businesses for the future.
Supplier Capability Training and Conference (Hyderabad, India)

In early May 2017, we ran a dynamic four-day Supplier Capability conference in Hyderabad, India. Day one consisted of training sessions providing a general overview of PSCI and focusing on process safety management, chemical hazard assessment and runaway reactions. The remainder of the conference was designed to update and educate suppliers on safe, environmentally responsible, and ethical production, including PSCI’s expectations and common challenges. More than 20 speakers, six panelists, and over 150 attendees representing more than 70 suppliers participated in the event. Conference presentations addressed: Process Safety Management; Environmental Performance & Industrial Hygiene; and Ethics & Labour. The event received excellent feedback with all acknowledging the benefit of such close collaboration between suppliers and peers.

Stockholm International Water Institute (SIWI) World Water Week

As part of a week themed ‘Water and Waste: Reduce and Re-use’, in August 2017, PSCI was represented by current Supplier Capability Lead and former Past-Chair, Steven Meszaros (Senior Director of Business Resiliency & Business Development at Pfizer), who provided the attendees with a better understanding of a high-profile and truly global issue: Anti-Microbial Resistance. He provided an overview of the work being led by the PSCI Supplier Capability committee to promote responsible environmental practices across the supply chain.

Online Supplier Training Increased

Our online supplier document library has expanded over the last year and provides additional guidance on a vast range of relevant and emerging topics within our supply chain. During October and November 2017, we developed a new e-learning module. This is an interactive training tool, designed to provide a detailed review of the PSCI Principles with a built-in competency test. The new module will further support suppliers to demonstrate their commitment to the guiding principles.

Industrial Green Chemistry World Conference (IGCW-2017) (Mumbai, India)

We supported the ChemisTree Foundation conference in Mumbai, India in October 2017, providing guest speakers to promote responsible environmental manufacturing practices and adherence to the PSCI Principles.
GOVERNANCE

Governing with transparency and managing with accountability is core to the PSCI strategy. To deliver this, the Governance Committee is focused on ensuring good practice in the following areas:

- A strong, transparent governance process that includes roles, responsibilities and decision-making processes
- A performance management system to drive desired outcomes

Our ability to change to the industry is dependent upon the collective strength of our members. To harness this power, the Governance Committee has carried out numerous and varied activities in 2017, focused on member engagement, accountability and growth.

IMPROVING THE MEMBERSHIP APPLICATION PROCESS

We launched an online PSCI membership application form, simplifying and formalising the submission process for Full and Associate membership. Applicants can now submit an electronic form which involves the completion of a small number of questions and endorsement by company leadership.

THE GOVERNANCE COMMITTEE HAS CARRIED OUT NUMEROUS AND VARIED ACTIVITIES IN 2017, FOCUSED ON MEMBER ENGAGEMENT, ACCOUNTABILITY AND GROWTH

INTRODUCTION OF THE PSCI MEMBERSHIP ACCOUNTABILITY PROJECT

The Governance Committee initiated and delivered the Membership Accountability Project to ensure member companies meet PSCI expectations. Member companies’ individual performance against expectations - such as sharing audits, participating in working groups and adherence to the recently updated Bylaws - was evaluated and reported on, ensuring all members contribute towards PSCI’s shared goals.

UPDATED PSCI STANDARD OPERATING PROCEDURE

On 20th February 2017, we released version 4.0 of the PSCI Standard Operating Procedure. The SOP, and subsequent updates to it, is integral to ensure that PSCI processes are monitored, controlled and remain relevant to our principles.
“In 2017, we saw further expansion of the PSCI - not only more pharmaceutical companies joining, but also involvement of suppliers, enabling us to reach deeper into the supply chain and broaden our impact.

With more companies joining PSCI, we were able to increase awareness of the PSCI Principles, and monitor adherence to these via our jointly developed common audit protocol.

Another aspect in the evolution of PSCI governance was the launch of the Membership Accountability Project, bringing further clarity to the requirements of both types of membership: Full and Associate.

**IT IS VITAL THAT MEMBERS UNDERSTAND THAT THEY NEED TO “WALK-THE-TALK” AND PROVE THEY ACT RESPONSIBLY THEMSELVES AND IN THEIR OWN SUPPLY CHAIN**

Having introduced specific accountability criteria, our expectations are transparent to future and existing members. It is vital that members understand that they need to “walk-the-talk” and prove they act responsibly themselves and in their own supply chain.”

**DR. HEINKE VON SEGGERN**
Procurement Sustainability & Compliance Officer, Roche.
The PSCI Communications Committee has led a step change in the way the organization communicates with internal and external stakeholder groups.

Looking back over the last year shows how the PSCI communications landscape has transformed.

DEVELOPING THE INAUGURAL PSCI ANNUAL REPORT

The publication of this report marks a significant milestone in the maturity of PSCI as an organization.

Following a period of intense focus to establish the fundamental PSCI objectives, to create customised PSCI Principles and to set industry-leading targets prior to this, the Board agreed that this was the appropriate time to share a formal report on progress made and priorities for the year ahead.

DEVELOPING THE COMMUNICATIONS STRATEGY AND PLAN

In early 2017, our commitment to increase awareness of PSCI took shape through the development of the Communications Strategy and Plan.

Following close collaboration with the PSCI committees and Board members, the Committee set distinct priorities for the upcoming year and beyond, aligning to our key objectives:

- Visibility and influence across the pharmaceutical and healthcare industry;
- Professional reputation enhancement;
- Strong partnerships with complementary organizations.

The Committee’s plans respond to the priorities of our members as detailed in their feedback to our 2016 Membership Survey - such as the publication of this Annual Report.

IN EARLY 2017, OUR COMMITMENT TO INCREASE AWARENESS OF PSCI TOOK SHAPE THROUGH THE DEVELOPMENT OF THE COMMUNICATIONS STRATEGY AND PLAN

DEVELOPING ENGAGING OVERVIEW PRESENTATION MATERIAL

In response to growing demand for consistent messaging when sharing key information with non-member companies, suppliers, external organizations and events, we overhauled the PSCI Overview presentation in early 2017.

Feedback on this has been overwhelmingly positive and the presentation has become a solid communications platform upon which we continue to build.

IN EARLY 2017, OUR COMMITMENT TO INCREASE AWARENESS OF PSCI TOOK SHAPE THROUGH THE DEVELOPMENT OF THE COMMUNICATIONS STRATEGY AND PLAN
RAISING AWARENESS THROUGH PARTNERSHIPS AND SPEAKING EVENTS

We partnered with various industry leading experts and organizations, united by a common commitment to positive change in the supply chain. Through partnerships and speaking at events, we have shared best practice approaches which have been developed across our membership. We have also demonstrated the impact that the industry’s ‘collective voice’ can have when addressing specific supply chain issues.

Our members presented at a number of industry and cross-industry events, most notably the 5th Responsible Sourcing and Supply Chain Compliance conference in Chicago in June, Convention of Pharmaceutical Ingredients (CPhI) Worldwide in Messe Frankfurt in October, and on a United Nations Sustainable Procurement in the Healthcare Sector (SPHS) webinar in August.

WE HAVE ALSO DEMONSTRATED THE IMPACT THAT THE INDUSTRY’S ‘COLLECTIVE VOICE’ CAN HAVE WHEN ADDRESSING SPECIFIC SUPPLY CHAIN ISSUES

We were also proud to partner with CHWMEG to support several of their events. This included training on ‘Business Sustainability and India Environmental Regulation Updates’ in Bengaluru, India in January 2017 and a seminar in Florence to promote sustainable waste management by European manufacturers, in June 2017.
Nordea is the largest wealth manager in the Nordics with approximately EUR 300bn in assets under management and 11 million customers across Nordea Group. Nordea’s sustainable finance approach is about integrating sustainability into all business activities and products.

The relationship between Nordea and the PSCI evolved from a shared interest in creating supply chain improvements in emerging markets that are key to the global supply of medicines. After a field visit to Hyderabad in 2015, Nordea was commissioned an independent investigation on water pollution and waste management in the Hyderabad area.

Nordea presented at the PSCI Annual General Meeting (AGM) in April 2016. The presentation detailed Nordea’s investor expectations of the pharmaceutical industry regarding water pollution in India. PSCI responded by developing an action plan and inviting Nordea to PSCI meetings in India and the 2017 PSCI AGM.

PSCI’s collaboration with Nordea’s Head of Thematic Engagement, Magdalena Kettis, goes from strength to strength, working together to facilitate positive change.

Here, Magdalena discusses her experience of working in alliance with the PSCI:

“Nordea’s initial dialogue with the PSCI opened when we engaged both individual companies and the PSCI in 2016 following the communication of the results from the waste-water report in India - Impact on Pharmaceutical Pollution on Communities and Environment in India - the result of an independent, underground investigative report commissioned by Nordea. The working relationship with the PSCI has, over time, evolved into an open, productive partnership.

Engaging companies is an important part of Nordea’s active ownership. From our perspective it is, without doubt, practical to be able to work with an industry-level organization as, often, problems and challenges are shared. Working with the PSCI allows us to interact on industry level in addition to individual company dialogues. It is constructive to address common issues which can be tackled collectively, often resulting in a more resource efficient approach.

Based upon our partnership so far, we know that we can rely on the PSCI to deliver upon their actions. In response to our report, several initiatives were launched to address water pollution related to drug manufacturing in Hyderabad and other locations in India. This was underpinned by a firm commitment to investing in the capabilities of Indian auditors and suppliers through educational training.

PSCI’s action plan, following the publication of the report and presentation of our expectations on the industry, which companies have now agreed upon and committed to, is a very positive step in the right direction.

Whilst we have undoubtedly made positive progress through our collaboration, there is still much more to be done. I look forward to continuing and further developing our working relationship with the PSCI to ensure that supply chain sustainability and the water pollution from pharmaceutical factories in Hyderabad, India, remain prioritised on the global pharmaceutical agenda.”

MAGDALENA KETTIS
Head of Thematic Engagement, Nordea.
OUR YEAR IN NUMBERS

AUDIT
USE OF THE AUDIT PLATFORM

- **166** Suppliers
- **152** Audit Reports
- **123** Self-Assessment Questionnaires

STeady increase in PSCI shared audits

Only audits no older than January 2014 are included.

- Algeria: 1
- Argentina: 3
- Austria: 2
- Bosnia & Herzegovina: 1
- Brazil: 3
- Bulgaria: 1
- Canada: 2
- China: 26
- Colombia: 3
- Costa Rica: 3
- Croatia: 1
- Czech Republic: 3
- Denmark: 2
- France: 4
- Germany: 4
- Hungary: 1
- India: 20
- Ireland: 3
- Israel: 1
- Italy: 4
- Japan: 1
- Korea (South): 1
- Saudi Arabia: 1
- Singapore: 1
- Spain: 2
- Sweden: 3
- Switzerland: 1
- Taiwan: 3
- Turkey: 2
- UK: 2
- Ukraine: 1
- USA: 12

All KPIs relate to 2017 unless otherwise stated.
OUR YEAR IN NUMBERS

AUDIT

AUDIT FINDINGS BY PSCI PRINCIPLES CLAUSE

- **87** Environmental Protection
- **31** Ethics
- **267** Health & Safety
- **160** Management Systems
- **53** Labor

**598** recorded findings

These findings are from **56 audits** where CAPR results are available.

All KPIs relate to 2017 unless otherwise stated.

Health & Safety is the area where we see most findings, followed by Management Systems, then Environmental Protection.

Of the Health & Safety findings, 25% relate to General Safety and 26% relate to Emergency Preparedness and Response. The remainder are split equally between Hazard Information, Industrial Hygiene, Process Safety and Worker Protection.

The most common Management Systems findings relate to Documentation, Meeting Legal & Customer Requirements, and Risk Management.

For Environmental Protection, nearly 40% relate to Waste and Emissions.
OUR YEAR IN NUMBERS

SUPPLIER CAPABILITY*

- **15,000** PSCI Principles
- **9,500** Principles Guidance
- **115,000** other documents

Since our online library was created in June 2015, our Principles have been downloaded nearly 15,000 times, the Guidance for Implementing the Principles over 9,500 times, and other capability building documents a total of 115,000 times.

- **3,000** views
  - The webinars in our series on managing APIs in manufacturing effluent have been viewed over 3,000 times.

- **90** auditors trained
  - In 2017, we trained 90 auditors and 150 individuals from 70 suppliers (face-to-face) and had dialogue with 39 CEOs and senior leaders in Vizag. We reached many more through the other events that we participated in.

COMMUNICATIONS

REACH

- **21,500** Unique Web Visitors

Page views / most popular content

- **25,000** Home page
- **7,700** Resources
- **6,500** About
- **4,700** Principles

- **123** Twitter followers

GOVERNANCE

NUMBER OF MEMBERS

- **2015** 19
- **2016** 22
- **2017** 26

MEMBERSHIP ACCOUNTABILITY CRITERIA:

- **100%** Members for whom we have a named contact person
- **90%** Members who actively participated in PSCI (and/or sit on Working Committees)
- **60%** Members who have shared supplier audits (either in 2017 alone or to date)
- **40%** Members who share the PSCI principles on their website

*data cumulative since June 2015
LOOKING TO THE YEAR AHEAD

2018 is an opportunity to sharpen our focus and execute the next level of the PSCI strategy.

We remain committed in our endeavour to propel responsible supply chain practices to the very top of the global pharmaceutical and healthcare agenda. The PSCI Board and working committees approach this mission with the passion and dedication they have demonstrated since the launch of the initiative.
AUDIT

INTRODUCING THE SUPPLIER SELF-INITIATED AUDIT
At present, PSCI supplier audits are instructed and driven by the PSCI members. Our goal for the future is to promote a model that allows suppliers to initiate PSCI audits themselves and manage the process independently, supported only as required.

2018 will bring the first revision of this model which we hope will empower suppliers to take full responsibility for corrective actions.

CONTINUING THE WASTE-WATER PROJECT (INDIA)
2017 has not been without challenges. The waste-water project in India was an example. PSCI intended to assess the wastewater treatment plants mentioned in Nordea reports but we were unable to gain access to facilities because they are independent from our suppliers.

PSCI invested a significant amount of time and effort trying to get access but we could not advance the initiative in 2017.

Looking forward, PSCI will continue to work through suppliers to ensure appropriate management of wastewater and seeks to partner with like-minded organizations to improve wastewater treatment. The Central Pollution Control Board of India has expressed interest in setting antibiotic discharge limits and we look forward to any opportunities for collaboration.

CONTINUOUS IMPROVEMENT
In 2018, the Audit Committee will update all the PSCI audit tools and guidance documents to ensure that they remain aligned to our new 2018-2020 Strategy, and international standards and expectations. We will work closely with the Supplier Capability Committee and their network of experts from member companies to devise audit questions and approaches that go into greater depth on hot topics such as Anti-Microbial Resistance (AMR), Modern Slavery and Human Rights.

As China and India suppliers remain a focus, we will strive to run conferences in both countries during 2018, focusing upon regional high-risk issues and further building on the successful foundations laid during 2017.

We will also provide relevant engagement and training for our suppliers in other markets since as there is potential for improvement worldwide.

VIRTUAL RELATIONSHIP BUILDING
In 2018, we will expand our virtual training suite, including our webinar programme. Webinar sessions will be led by subject-matter experts addressing industry challenges. These online resources complement our face-to-face supplier engagement and training.

Our e-learning platform and resources will also broaden, allowing our supply base to access and use appropriate self-support materials at any time.

We will also carry out a review of our resource library to ensure that the structure is user-friendly and the content remains relevant.

SUPPLIER CAPABILITY

CONFERENCES
Engaging with and training suppliers face-to-face is one of the most powerful tools to drive constructive change across the supply chain. We have received positive feedback from suppliers and members alike for our efforts.
GOVERNANCE

THE INTRODUCTION OF AN ADVISORY PANEL
An exciting development for the Governance Committee in 2018 will be the initiation of a PSCI Advisory Panel to provide valuable input to PSCI’s activities. The panel will include a cross-section of relevant, like-minded organizations, ensuring maximum coverage of specialist knowledge.

PROJECT TEAM MOBILISATION
In 2018, the Governance Committee will create project teams to deliver against the following objectives:
- Continue discussions initiated at the 2017 PSCI AGM on how PSCI Committees can best support the new PSCI Strategic Objectives
- Allow greater diversity of members
- Laying the foundations for establishing country sub-chapters in important sourcing markets to expand our reach and impact
- Be a healthy, growing, trusted organization: we will continue to invest in the structures and processes of the PSCI to ensure it remains well governed and sustainable
- Develop ways to measure PSCI’s impact across the industry to prove how we are adding value and making a real difference.

COMMUNICATIONS

ENHANCING AND BROADENING PSCI ONLINE PRESENCE
We will continue to grow awareness of the PSCI and our Principles through a range of online communications channels, platforms and partnerships, as well as the publication of this Annual Report. We will develop and strengthen our visibility and position across the industry.

INCREASING THE NUMBER OF WHITE-PAPERS AND THINK-PIECES
A key component of our future communications strategy is to continue developing proactive articles and white papers which address key topics in the industry. We will use our subject matter expertise to accelerate the development and publication of these materials, demonstrating the continued relevance and importance of this organization to our industry, suppliers and stakeholders.
2017 was another significant year for PSCI with much of the progress highlighted in this report. Our investments in 2017, including updates to our strategy, and materiality assessment, were key to ensuring we meet the future mission of the organization, and needs our members.
Collaborations are essential to broaden our range of expertise while also extending the scale of impact for our supplier capability and auditor training programmes. The PSCI would like to extend sincere thanks to the following organizations for their contributions towards the progress we have made throughout 2017.

**American Chemical Society (ACS) Green Chemistry Institute Pharmaceutical Roundtable**
ACS GCIPR’s mission is to catalyze the implementation of green chemistry and green engineering in the global pharmaceutical industry.
http://www.acs.org/content/acs/en/greenchemistry/industry-business/pharmaceutical.html

**CHWMEG**
CHWMEG, Inc. is a non-profit trade association made up of manufacturing and other “industrial” companies interested in efficiently managing waste. Their programs are based upon their potential environmental liability related to the wastes that are generated by their companies’ manufacturing processes. CHWMEG conducts comprehensive, independent reviews of commercial facilities that treat, store, dispose, recycle, or transport waste. CHWMEG also develops and delivers seminars, conferences, and informational documents for distribution to both members and non-members.
http://www.chwmeg.org/

**DEKRA**
DEKRA is an international service company which develops products and services to ensuring long-term safety, quality and environmental protection. These include industrial testing, product testing, certification, environmental protection and qualification.
http://www.dekra.com/

**The Anti-Microbial Resistance (AMR) Industry Alliance**
The AMR Industry Alliance is one of the largest private sector coalitions set up to provide sustainable solutions to curb antimicrobial resistance, with over 100 biotech, diagnostics, generics and research-based pharmaceutical companies and associations joining forces.
http://www.amrindustryalliance.org

**Industrial Green Chemistry World (IGCW)**
Industrial Green Chemistry World (IGCW), is an initiative that focuses on accelerating the implementation of green chemistry and green engineering based practices in the chemical industry.
http://www.industrialgreenchem.com/

**The Water & Environmental Technology (WET) Center**
The WET Center is a National Science Foundation (NSF) Industry/University Cooperative Research Center (I/UCRC) led by Temple University with partner sites at the University of Arizona and Arizona State University. The Center was established in 2009 to develop a platform of water treatment technologies and scientific information systems that apply to a wide variety of industrial sectors.
http://www.nsfwetcenter.org/

**Verisk Maplecroft**
Verisk Maplecroft integrates global risk analytics, expert insight and user-centric platforms to help organizations build resilience and unlock competitive and reputational advantage.
http://maplecroft.com/
PSCI MEMBERS

Our members are pharmaceutical and healthcare companies sharing a common vision of better social, economic, and environmental outcomes for all those involved in the pharmaceutical supply chain.

AbbVie  Allergan  AstraZeneca  Baxter  Bayer  Biogen
Boehringer Ingelheim  Bristol-Myers Squibb  Catalent  DSM Sinochem Pharmaceuticals  Evolan
GlaxoSmithKline  Johnson & Johnson  Lilly  Mallinckrodt Pharmaceuticals  Merck  Novartis
Pfizer  Roche  Sanofi  Shionogi  Shire  Takeda  Teva  West
PSCI MEMBERS TIMELINE

2005
PSCI founded, 6 members

2010
16 members

2013
Incorporated as a non profit

2015
18 members

2016
Two tier membership model launched (“Full” and “Associate”)  

2017
26 members

At the end of 2017 PSCI had 26 member companies. We have seen growth in membership recently, and we are regularly approached by new companies committed to promoting responsible supply chains and interested in joining PSCI. Our two-tiered membership model, launched in 2016, has allowed us to be more inclusive.

Members are attracted by PSCI’s whole range of activities but in particular our supplier capability building projects and our audit sharing programme. Joining PSCI gives members access to shared supplier audits which brings efficiency and reduces burden on suppliers by reducing audit duplication.

We also give members the opportunity to learn from each other. PSCI member meetings take place twice a year, where members meet with and learn from other industry-leading professionals, as well as external experts that are invited in to deliver keynote speeches on a wide range of relevant subjects and emerging issues. Recently we heard from the World Wildlife Fund (WWF) on responsible sourcing of palm oil, the UK Gangmasters and Labour Abuse Authority on modern slavery, and the Responsible Business Alliance on conflict minerals.

In addition to this, PSCI is working with the Anti-Microbial Resistance Industry Alliance and their manufacturing sub-group, working to create a framework to ensure that plant emissions do not contribute to the development of resistance born microbes in the environment.

One of the other key attractions for members is the work we do to influence standard practices across the supply chain. An example not already covered in this report is the project underway to align the industry on a core set of questions and a common platform for collecting regular supplier sustainability data – carbon, water, waste, etc.

In coming years, we look forward to continued growth in membership.

OUR TWO-TIERED MEMBERSHIP MODEL, LAUNCHED IN 2016, HAS ALLOWED US TO BE MORE INCLUSIVE
**BOARD DIRECTORS**

We have twenty-six member companies and are governed by an elected Board of Directors which is our primary decision making body.

The Board establishes working committees and appoints their leads. The Board is elected by the member companies, who are also invited to participate in the working committees. Day-to-day, the PSCI is supported by a secretariat, which assists the Board and the working committees to achieve their objectives.
<table>
<thead>
<tr>
<th>Year</th>
<th>Audit Lead</th>
<th>Supplier Capability Lead</th>
<th>Governance Lead</th>
<th>Communications Lead</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>Kelly Kappler, Johnson + Johnson</td>
<td>Ingrid Vande Velde, Johnson + Johnson</td>
<td>Kevin Borud, Roche</td>
<td>Clare Lumkong, BMS</td>
</tr>
<tr>
<td>2017</td>
<td>Kelly Kappler, Johnson + Johnson</td>
<td>Rachel Rae, Lilly</td>
<td>Ingrid Vande Velde, Johnson + Johnson</td>
<td>Andy Rayment, AstraZeneca</td>
</tr>
</tbody>
</table>

Board-appointed committee leads for 2017-2018.
MESSAGE FROM THE 2018 CHAIR

Since undertaking my role as the PSCI chair in January, this year has already brought positive changes for the PSCI.

The completion of our strategic review during 2017 and the recent initiation of this PSCI strategy brings with it a refreshed focus, clear purpose and wider recognition of the need for our collaborative efforts and interventions.

The newly defined strategic pillars: Advancing Leadership; Creating a Community of Improving Suppliers; and Partnering, bring aligned priorities. My role now will focus upon bringing our new strategy to life, mobilising our expert working committees and delivering the commitments we’ve made in these areas.

For my remaining term in 2018, working side-by-side with my fellow PSCI Board members and the incredibly talented wider team, I am committed to proudly and ably representing each of our 26 member companies. Our mission is to enable and oversee continued growth and maximum impact, allowing us to further deepen our footprint across the sustainability landscape.

The potential of the PSCI is greater than ever. The growing appetite for communications such as this, our inaugural Annual Report, solidifies our purpose across the industry and pushes us further into the spotlight, allowing us to set our standards even higher than before.

I look forward to working with our team, member companies, stakeholders and suppliers to bring a year of broader collaboration, strengthened self-service tools and overall increased achievement.

DR. BIRGIT SKUBALLA, Bayer
2018 PSCI Chair
CONTACT

Start the journey to a more sustainable future.

For more information about the PSCI please contact:

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