<table>
<thead>
<tr>
<th>Page</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>P.3</td>
<td>GROWING IMPACT</td>
</tr>
<tr>
<td>P.4</td>
<td>THE YEAR AT A GLANCE</td>
</tr>
<tr>
<td>P.5</td>
<td>WHO’S WHO?</td>
</tr>
<tr>
<td>P.6</td>
<td>THE PSCI PRINCIPLES</td>
</tr>
<tr>
<td>P.7</td>
<td>THE PSCI STRATEGY</td>
</tr>
<tr>
<td>P.8</td>
<td>AUDIT</td>
</tr>
<tr>
<td>P.10</td>
<td>SUPPLIER CAPABILITY</td>
</tr>
<tr>
<td>P.12</td>
<td>GOVERNANCE</td>
</tr>
<tr>
<td>P.14</td>
<td>COMMUNICATIONS</td>
</tr>
<tr>
<td>P.16</td>
<td>SHARING SUSTAINABILITY DATA</td>
</tr>
<tr>
<td>P.17</td>
<td>OUR IMPACT - STEADILY INCREASING OUR REACH</td>
</tr>
<tr>
<td>P.18</td>
<td>OUR IMPACT - CHANGING PRACTICES AMONG PSCI MEMBERS FROM 2015 - 2018</td>
</tr>
<tr>
<td>P.19</td>
<td>WHAT OTHERS SAY</td>
</tr>
<tr>
<td>P.20</td>
<td>OUR COLLABORATORS</td>
</tr>
<tr>
<td>P.21</td>
<td>FINANCIAL REPORT</td>
</tr>
<tr>
<td>P.22</td>
<td>PSCI MEMBERSHIP</td>
</tr>
<tr>
<td>P.23</td>
<td>PLANS FOR THE YEAR AHEAD</td>
</tr>
<tr>
<td>P.24</td>
<td>CONTACT</td>
</tr>
</tbody>
</table>
2018 has seen PSCI gain more members, reach more suppliers, perform more audits and host more events than ever before. It has been a privilege to chair the organisation through this year of unprecedented growth.

At the root of all we have achieved is our committed base of members; this year eight new companies joined us, taking our total to 34 (and growing still). They drive all we do through their committed participation on our Working Committees and I am immensely grateful to both new faces and long-time stalwarts for all their work. We are truly member-led.

Our vision is one of building responsible supply chains and so our focus must be relentlessly on our suppliers. In 2018 we met face-to-face with over 400 supplier delegates attending our two large-scale supplier conferences in Shanghai and Hyderabad. This was the first time we have been able to host two conferences in a single year, but perhaps more importantly, the first year that we really enabled peer-learning, by inviting leading suppliers to give many of the presentations. This shift was very much appreciated by delegates, who reported it made a bigger impact to them hearing from their peers. 2018 also saw us host three supplier capability webinars, reaching 163 viewers either live or in downloads.

One of our most powerful activities is promoting and sharing audits completed to the PSCI requirements. We now have 270 such audits on our sharing platform, the total growing steadily as new audits are completed. Each audit shared reduces duplication and burden for suppliers and members. But standardising audits achieves much more than efficiency; it is spreading consistent and good practice right across the sector. Many hundreds of audits are being conducted now using the PSCI tools, and this year we overhauled our supplier self-assessment questionnaire. This single change will cause hundreds of suppliers to answer new questions on human rights and the precautions they take against Anti-Microbial Resistance. We increased the number of approved trained audit firms to a record 11.

In the pages of this report you will read about our other achievements this year: holding members accountable, setting up a Board Advisory Panel, sharing data on suppliers’ carbon emissions, and a new visual brand identity and logo. Perhaps the most important pages are the ones that show our impact; the suppliers trained, the audits completed and followed up, the downloads of advisory documents from our technical library.

We estimate that the PSCI’s members spend $279bn every year; billions of dollars, thousands of suppliers and millions of workers. 2018 saw measurable steps to make these workers safer, more secure and more prosperous. The growth in our membership is a huge achievement but it is the growth in our impact that I am most proud of.

It has been a pleasure to serve as Chair this year. I’d like to thank all my Board colleagues for their support and wish Gabriele Harttung every success as she drives the PSCI further and higher in 2019.

DR BIRGIT SKUBALLA, BAYER
Chair of the PSCI during 2018

THE GROWTH IN OUR MEMBERSHIP IS A HUGE ACHIEVEMENT BUT IT IS THE GROWTH IN OUR IMPACT THAT I AM MOST PROUD OF.
THE YEAR AT A GLANCE

OVERHAUL & STRENGTHENING OF SUPPLIER SAQ
P.8

EXPANDING ONLINE REACH
P.17

26K+ WEBSITE VIEWS

50K+ DOWNLOADS

ACCELERATING GROWTH IN MEMBERSHIP, 8 NEW MEMBERS IN 2018
P.22

ALIGNMENT AMONG MEMBERS ON RESPONSIBLE PROCUREMENT SCOPES
P.18

2 SUPPLIER CAPABILITY CONFERENCES REACHING 400+ DELEGATES
P.10

5+ EXTERNAL PRESENTATIONS, INCLUDING AT THE UN FORUM ON BUSINESS & HUMAN RIGHTS
P.15

PEER-TO-PEER MENTORING BETWEEN LEADERS & LEARNERS
P.12

200+ FEWER SUPPLIER SURVEYS DUE TO SUSTAINABILITY DATA SHARING
P.16

GROWTH OF AUDIT SHARING PLATFORM
P.9

ADVISORY PANEL OF 5 EXPERTS

Takeda

Responsible Business Alliance

Nordea

TRANSPARENCY INTERNATIONAL UK

Baxter

34 MEMBERS

+8

PHARMACEUTICAL SUPPLY CHAIN INITIATIVE (PSCI)
ANNUAL REPORT 2018

34 MEMBERS

MEMBERS

MEMBERS

MEMBERS

MEMBERS

MEMBERS

MEMBERS
WHO’S WHO?

The PSCI is led by an elected Board, the members of which serve either a two-year or three-year term. The Board is advised and challenged by the newly formed Advisory Panel (see pages 12 and 18).

There are four permanent Working Committees which meet monthly and drive the PSCI’s projects forward. Since 2016 we have also been supporting a project team aiming to standardise members’ collection of sustainability information from suppliers.

The Board would like to express its sincere thanks to all the members of these Committees, and particularly to the individuals who lead them.

The Board and Working Committees are supported by a professional Secretariat in the form of specialist consultancy Carnstone Partners Ltd.
THE PSCI PRINCIPLES

The PSCI Principles are the foundation of all we do; they are our blueprint for responsible practice, setting out our expectations for five relevant topics.

All members of the PSCI commit to supporting and upholding them. Members integrate these Principles into their own supplier codes and uphold them in their own operations.

The Principles set out universal expectations, but the methods for meeting the expectations will need to be sensitive to the local legal, cultural and moral context. The implementation of these Principles is characterised by a continual improvement approach, advancing supplier performance and building responsible supply chains over time.

The full PSCI principles can be found here.
THE PSCI STRATEGY

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.

PRIORITIZE 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

SUPPLIER CAPABILITY
- Sustainable sourcing and traceability
- Transparency and disclosure
- Business resilience
- Management capability and systems

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
Collectively, PSCI member companies visit or audit thousands of suppliers every year.

Our Audit Committee is responsible for standardising the audits and related tools used in the sector and encouraging the sharing of audit reports between members. In this way we can ensure that a growing number of suppliers have been subject to careful professional scrutiny, and we can gain efficiency by sharing one such audit report multiple times.

FROM OUR STRATEGIC PILLARS …

The Audit Committee supports our strategic objectives to define industry-wide expectations (1.1). It plays a vital role in making PSCI the one-stop-shop for pharma (1.3) and as a delivery partner for other sustainability objectives (3.3).

NEW AUDIT TOOLS

The Audit Committee led a major overhaul of our Self-Assessment Questionnaire (SAQ). This is a document which members share with supplier companies usually before an audit takes place. The results allow members to assess risk and plan the audit.

The Audit Committee worked closely with the experts in our Capability Committee expert groups to define the most up-to-date content. The 2018 revision saw a number of significant changes:

- More questions on how suppliers manage wastewater and control Pharmaceuticals in the Environment (PiE), working closely with the Anti-Microbial Resistance (AMR) Industry Alliance.
- Strengthened questions on business ethics and labor rights, to reflect the new emphasis in the 2017 PSCI Strategy.
- Changes to the Word and Excel SAQ tools to provide more detailed guidance and make them easier for suppliers to use and to provide guidance for auditors when following up the questions.

The new questionnaire was launched at the beginning of 2019 accompanied by a webinar to explain the changes.

A RECORD NUMBER OF APPROVED AUDITORS

For a supplier audit to be ‘shareable’ within the PSCI it must be done to our own audit framework, but also performed by a suitably qualified and approved auditor. We have a program of auditor approval which this year reached a new high, with 11 approved audit companies. Each company must demonstrate the quality of its approach and also submit CVs of the relevant auditors, allowing us to ensure they are properly qualified.

Having a robust audit approach and approved auditors opens the way for a new supplier-led audit model, under which suppliers can voluntarily commission and share their own audits with PSCI members. We have now opened our sharing system to supplier-led audits for the first time.

PSCI Approved third party audit firms

<table>
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<tr>
<th>BSI Group</th>
<th>Golder Associates</th>
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<tr>
<td>Bureau Veritas</td>
<td>International Safety Systems</td>
</tr>
<tr>
<td>Chola MS Risk Services</td>
<td>Intertek</td>
</tr>
<tr>
<td>Consultivo</td>
<td>SGS</td>
</tr>
<tr>
<td>Dekra</td>
<td>TÜV-Rheinland</td>
</tr>
<tr>
<td>ERM</td>
<td></td>
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</table>
CHINA WORKING GROUP

A dedicated China working group formed this year to support this crucial market where many members have important suppliers. Members’ local China teams meet (speaking Chinese) and contextualise the PSCI’s activities to the China market. For example, the group provided very important input to the China supplier Conference (see page 10) enabling that event to have a much more localised tone with 80% of the content presented in Mandarin. They are vital to monitoring the changing regulatory context in China and developing good engagement with critical environmental NGOs including IPE. The group reports into the Audit Committee but supports all our activities in China.

SHARING OUR AUDITS

PSCI members share audits using a custom-built online platform, each aiming for five new audits annually, as a minimum. Suppliers approve the process, giving them direct control of which members can see their data. Audit sharing offers enormous efficiency gains for suppliers and members and we are pleased to report continual increases in the number and quality of shared audits available (see page 17).

This is just the tip of an iceberg: many hundreds of audits are now being completed to the PSCI template but are not yet shared. This consistent methodology is a very important first step in sector-wide change, and our vision is to establish sharing as the norm for members and suppliers.

“WE WERE ABLE TO USE 12 AUDITS THIS YEAR FROM THE PSCI PLATFORM. EACH WOULD COST US AT LEAST $5,000 TO PERFORM, SO THAT $60,000 SAVING HAS MORE THAN REPAID OUR MEMBERSHIP FEE”

PSCI MEMBER (JAN 2019)

TRAINING AUDITORS

We continue to invest in our approved auditors, strengthening their knowledge of pharmaceutical-specific risks and technology, and ensuring they are up-to-date on the latest PSCI requirements. We provided free auditor training in Vienna in December 2018, kindly hosted by Shire which attracted 23 delegates for a two-day intensive event. The course focused on writing quality reports and auditing key risk topics, including process safety, environmental protection, emergency preparedness and response, occupational health and industry hygiene. Post-event feedback was extremely positive.

Insights from the IPE

The Institute of Public and Environmental Affairs (IPE) is a well-respected and influential Chinese NGO. We were pleased to hear from them at our AGM, where they offered essential insights into the changing regulatory regime in China and the implications for PSCI’s supplier factories.
One of the most sustainable ways to drive responsible practices in our sector is to enable suppliers to improve themselves.

The Supplier Capability Committee aims to use the expertise in member companies to drive continuous supplier improvement.

The Committee has eight sub-groups, themed around all the topics in the PSCI Principles. This allows the widest possible range of subject matter experts from within member companies to take part, creating customised conferences, webinars and extensive online tools which we offer to suppliers free of charge.

The Committee’s work supports both internal and external capability-building. Outputs such as conference presentations, webinars and online tools are an important constituent of employee training offered by suppliers as well as PSCI member companies.

FROM OUR STRATEGIC PILLARS …

The Supplier Capability committee is essential to our strategic objective to create a community of improving suppliers (2).

SUCCESSFUL CONFERENCES IN KEY MARKETS

For the first time this year we hosted two large-scale supplier conferences in Shanghai (China) and Hyderabad (India) reaching a total of over 400 delegates. PSCI member companies, suppliers and knowledge partners were invited to submit presentations covering topics from AMR to business ethics. Each conference lasted two full days, with two rooms in each location running sessions in parallel, allowing delegates to focus their time on the topics of greatest interest to them. These conferences are valuable training for supplier companies and also the in-country teams of PSCI members, who rely on them to deepen local market knowledge.

“HAVING A SUPPLIER PRESENT AT A SUPPLIER CAPABILITY CONFERENCE FOR THE FIRST TIME THIS YEAR WAS AN IMPORTANT STEP IN CREATING A COMMUNITY OF IMPROVING SUPPLIERS, THE PSCI’S SECOND STRATEGIC PILLAR.”

RINCY JOSEPH, BAYER, GOVERNANCE WORKING COMMITTEE CO-LEAD

19TH-20TH SEPTEMBER 2018: CHINA

210 delegates spent their time in Shanghai Marriott listening and sharing. This year marked a major change with 80% of the content now in Mandarin and much more sharing of best practice between Chinese supplier companies. These changes were very much appreciated by delegates; post-event surveys show overall satisfaction at 87%.

Conference video: https://vimeo.com/301578287

25TH – 26TH SEPTEMBER 2018: INDIA

The India conference attracted 208 delegates and was hosted by Novartis at their Hyderabad Facility. The PSCI thanks them for their support.

SHANGHAI SEPTEMBER 2018

HYDERABAD SEPTEMBER 2018
A GROWING LIBRARY OF WEBINARS

The Capability Committee organised and hosted supplier webinars during 2018, on three essential topics:

1 Managing APIs in manufacturing
The fourth in our series on this key issue.

2 Evaluating supplier ethics and compliance programs
Ethics and anti-corruption are critical topics for members and a priority for our stakeholders too.

3 Introducing the UN Guiding Principles on Business and Human Rights
The UN Guiding Principles are the foundation of many members’ approach to human rights.

Well over 100 people watched and listened to the webinars in real time, with the recordings being available in perpetuity on the PSCI website, along with the accompanying downloadable slide packs.

IN MEMORIAM - FRANK MASTROCCO

The PSCI was saddened to learn of the sudden passing of Frank Mastrocco, Director of Environmental Toxicology at Pfizer and leader of PSCI’s PiE/AMR expert group. We are immensely grateful for Frank’s fellowship and learned contribution to the PSCI’s work. We offer our deepest sympathy and condolence to his family and many friends both within and outside our industry.

ONLINE TOOLS AND E-LEARNING

2018 saw the launch of our e-learning tool, offering suppliers a simple way to explore and understand the PSCI Principles, which lie at the heart of the PSCI’s mission.
By working through a short online course including testing and feedback, delegates can learn more about the PSCI’s agenda and expectations. In the background, we continually improve existing tools such as the online resources library.

SUPPLYING EXPERTISE

The Supplier Capability Committee now comprises eight separate expert groups, offering unparalleled opportunities for industry experts to collaborate. The sub-teams are a vital resource for other parts of the PSCI’s work; AMR experts played a key role in revising the Audit SAQ (see page 8) and our link to the AMR Alliance allowed us to include and share their essential work to define industry-standard Predicted No Effect Concentration (PNEC) values.
GOVERNANCE

The Governance Committee ensures that the PSCI has:

- A strong and transparent governance process including roles, responsibilities and decision-making processes.
- A performance management and accountability system to reach its objectives.
- Clear bylaws in line with its Not for Profit status.

It is also the custodian of PSCI’s external partnerships strategy and the newly-formed Advisory Panel.

FROM OUR STRATEGIC PILLARS ...

The Governance Committee is responsible to ensure the PSCI is “governed with transparency and managed with accountability”, the foundational commitment of our strategy. It also plays a key role in our external partnerships (3.1).

HOLDING MEMBERS ACCOUNTABLE

The PSCI has established membership expectations for all members, for example supporting the PSCI Principles, contributing to the work of the PSCI, paying membership dues and sharing audits. The Governance Committee oversees an objective process to ensure all members respect these. Each member is surveyed annually with evidence requested for their compliance. Any shortfalls are formally discussed with a Board member, and the member company is invited to offer an alternative or to amend its membership.

PEER TO PEER MENTORING PILOT PROJECT

The PSCI’s strategy is to allow a greater diversity of members, including companies at all stages of their journey towards a responsible supply-chain. The new Peer to Peer mentoring scheme, devised by the Governance Committee, pairs up leaders and learners to allow companies to learn from each other via a self-driven program of calls and meetings.

Three pairs have been established on a pilot basis, and the scheme will be extended during 2019 if these companies report benefits.

EXTERNAL RELATIONSHIPS

The Governance Committee is the custodian of PSCI’s bylaws and processes, including our Partnerships Strategy. There are many organisations who can support our mission to build responsible supply chains; including service providers, knowledge providers, NGOs and governments. PSCI is happy to work alongside these Partners where we can. An example from 2018 includes our work with the AMR Alliance to incorporate their recommendations into our SAQ and audit tools.

THE PSCI ADVISORY PANEL

2018 saw the first meeting of PSCI’s Advisory Panel coinciding with the PSCI’s AGM in New Jersey. The Panel consists of five experts who meet once per year in person and once by phone. Their purpose is to advise and challenge the Board, and topics at the first meeting included better ways to measure the PSCI’s impact, and how the PSCI can support the Global Goals. The Panel’s membership is shown in full on page 18.
MEASURING OUR IMPACT

How can we tell whether the PSCI’s work is having an impact? We collect and report a wide range of impact data (see pages 17-18) each year, which demonstrates that our scale and reach are growing fast. The truest test is to understand the changes in practice among our member companies, and so in 2018 the Governance Committee led the development of a Maturity Model. This will help members understand how their program compares to the rest of the sector – from those just setting out to global leaders. The Model was piloted in 2018, with data from 29 member companies. As we repeat the survey in future years we will be able to see the development in our membership base, providing good evidence of the PSCI’s impact on the sector.

Note: Each member represented by □ Full and □ Associate

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<tr>
<th>QUESTION</th>
<th>Unaware</th>
<th>Developing</th>
<th>Implementing</th>
<th>Leading</th>
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<tr>
<td>1. Has the inclusion of PSCI Principles in the company’s responsible procurement program helped to influence and promote senior leader awareness and engagement in responsible procurement?</td>
<td>PSCI Principles have not been included in the responsible procurement program and engagement of senior leaders not established</td>
<td>PSCI Principles included in the responsible procurement program, but awareness and engagement of senior leaders not established</td>
<td>PSCI Principles included in the responsible procurement program, and engagement of senior leaders &amp; supplier relationship managers across functions achieved</td>
<td>PSCI Principles included in the responsible procurement program, and senior leaders &amp; supplier relationship managers actively promoting PSCI Principles across functions</td>
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<th>Total Response (29 Companies)</th>
<th>Full (24)</th>
<th>Associate (5)</th>
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<td>Total Member Maturity Level (75 of 116 Points)</td>
<td>(37.5%)</td>
<td>(40%)</td>
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MEMBER-LED AND MEMBER-DRIVEN

The PSCI’s effectiveness comes from its members, who meet in Boards, Working Committees, subject-matter Expert Groups and project teams. We estimate that during 2018 more than 200 separate meetings drove the PSCI forward. There were two face-to-face gatherings, each lasting three days, with 71 delegates attending the AGM.
The Communications Committee takes the work being done by the PSCI and shares it beyond our actively involved members, ensuring wider audiences hear about PSCI. Key audiences include:

- Employees at member companies.
- External partners and collaborators.
- Suppliers.
- Potential member companies.

The Committee is focused on sharing PSCI’s Principles and best practice, and ensuring our brand and profile are well recognised in the industry.

The Committee oversees our brand identity and visual representation, as well as co-ordinating face-to-face and written communications with our stakeholders.

FROM OUR STRATEGIC PILLARS …

The Communications Committee builds our profile and visibility internally (1.2) and externally (3.2), and supports our reputation and growth (G.2)

MAINTAINING THE PSCI’S COMMUNICATION MATERIALS

We maintain a standard library of communication materials that are available to members wishing to explain the PSCI either internally or external to their organisations. These communication tools allow us to present the organisation in a simple, consistent way, for example in introducing PSCI to new suppliers.

These tools include an Overview Presentation, an Introduction and (in development) a short video about our work. Every six months we update members and other stakeholders on our progress via a comprehensive electronic newsletter. Thanks to better design and more consistent communications, we saw a significant increase in the ‘open rate’ of the electronic newsletter this year. Details of how to subscribe can be found on the final page of this report.

OVERHAULING THE BRAND IDENTITY AND LOGO

The Communications Committee led a full overhaul our visual identity this year, including the design and launch of a new logo. The new design was selected from a list by membership vote. The final choice (below, left) contains visual suggestions of a linked chain, with an atomic structure reminding us of the PSCI’s roots in physical science.

Subtext to the logo, the Committee developed the tagline “Building responsible supply chains” as well as a new colour palette to keep our look fresh and contemporary.

A GROWING PROFILE

The inaugural 2017 Annual Report was downloaded more than 500 times from our website, with news about its publication earning approximately 1,500 views. There were over 26,700 distinct visits to our PSCI site from external and internal visitors. More than 500 suppliers were engaged directly by the PSCI last year. Growing the PSCI’s profile in this way is a vital element of delivering our vision. As the PSCI becomes better known, it boosts its reputation within member companies and attracts partners from outside. This allows us to achieve more and further improve our reputation.

All PSCI members are encouraged to take up opportunities to advocate for PSCI at external events. This is initiated by contacting the Communications Committee via the Secretariat for support and assistance.
IN-PERSON REPRESENTATION

One of the best ways for people to hear about the PSCI is when it is presented in person at an event. We are grateful to members who have advocated for PSCI across a range of channels and events in 2018, including:

■ Presentation at FDA Xavier Pharmalink (Ohio) by Julie Brautigam, Takeda.
■ Presentations at Farmaforum and International Logistics and Material Handling Exhibition Congress (Barcelona) by Enric Bosch, Boehringer-Ingelheim.
■ Keynote talk at the ISS Forum Dinner as part of the American Industrial Hygiene Conference & Expo (Philadelphia) by Steven Meszaros, Pfizer.
■ Presentation with the Anti-Microbial Resistance Alliance (Basel) by Birgit Skuballa, Bayer and Gabriele Harttung, Novartis.
■ Presentation at the ORCHSE Asia Pacific Health, Safety and Environment Forum (Shanghai) by Lamy Bao, BMS.
■ Address to the UN Forum on Business and Human Rights (Geneva) by Connie Low, Novartis.
SHARING SUSTAINABILITY DATA

Many of the PSCI member companies have made public commitments to reduce their environmental footprints. As part of this commitment, they survey their suppliers to understand the indirect greenhouse gas emissions, waste production and water use resulting from their end-to-end manufacturing and business operations; often known as “Scope 3” environmental impacts.

Since 2016 the PSCI has been supporting a group of eight members to share their methodology and collaborate in this work, with the aim of standardising the data collection process and reducing duplication.

Working with the online platform EcoDesk, the team has defined a standard and consistent set of questions for suppliers, resulting in a simple data framework. Suppliers have been invited to complete the surveys online and over 700 have now done so. An analysis of the responses has revealed approximately 30% of these suppliers are shared by two or more members, and some by three or four. We estimate that the project so far has reduced the data collection burden on over 200 suppliers plus associated savings from now having a consistent and repeatable method.

Having high quality data on such a large set of respondents has now allowed member companies to refine their scope 3 environmental footprint data, no longer having to rely on estimates or models. It has also demonstrated where the highest impacts arise, allowing members to focus their mitigation projects.

The team plans to continue its work in 2019, inviting new companies to join them and increasing the number of suppliers reporting on their platform. We recognise that other member companies use different online systems and are investigating ways to use the same questions and methodology across all of them. We also plan to develop standards and guidelines for collecting sustainability data, including standard action plans for suppliers.

Ultimately, our aim is that every supplier reports just once, regardless of how many PSCI members they supply.

SUPPLIERS SHARING SUSTAINABILITY DATA

Almost 30% of suppliers on the platform are overlapping, leading to over 200 fewer surveys for suppliers. (Data: October 2018)
OUR IMPACT
STEADILY INCREASING OUR REACH

REACH

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
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<tbody>
<tr>
<td>PSCI IN PERSON</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Conference attendees</td>
<td>150</td>
<td>418</td>
</tr>
<tr>
<td>Webinar attendees</td>
<td>n/a</td>
<td>163</td>
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<tr>
<td>AGM attendees</td>
<td>63</td>
<td>71</td>
</tr>
<tr>
<td>Auditors approved</td>
<td>7</td>
<td>11</td>
</tr>
<tr>
<td>Auditors trained</td>
<td>50</td>
<td>23</td>
</tr>
<tr>
<td>Member companies</td>
<td>26</td>
<td>34</td>
</tr>
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PSCI ON THE WEB 2018

- 26,737 unique web visitors
- 564 followers on social media
- 157 Twitter followers (+34 in 2018)
- 407 LinkedIn followers (+25 in 2018)
- 50,000+ document downloads
- 4,000+ Industrial Hygiene (IH) Introductions
- Training slides on fundamentals of IH
- 2,300+ Basic Information for Occupational Exposure Limit and Performance-based
  Occupational Exposure Limit-Health Hazard Categories for Isolated Process Intermediates
  and Active Pharmaceutical Ingredients
- 1,200+ PSCI Principles
- 1,100+ PSCI Principles guidance

AUDIT SHARING

2018 AUDIT FINDINGS

- Environmental Protection: -4%
- Labor: +8%
- Ethics: +5%
- Health & Safety: -16%
- Management Systems: +7%

Change in share of total 2018 vs 2017

NUMBER OF SUPPLIERS ON PSCI PLATFORM

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>88</td>
<td>164</td>
<td>283</td>
</tr>
</tbody>
</table>

NUMBER OF SAQS ON PSCI PLATFORM

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>98</td>
<td>179</td>
<td>225</td>
</tr>
</tbody>
</table>

NUMBER OF AUDITS ON PSCI PLATFORM

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>83</td>
<td>148</td>
<td>270</td>
</tr>
</tbody>
</table>

PRINCIPAL AUDIT COUNTRIES

- China: 60
- India: 34
- United States: 29

Cumulative number of audits on the platform 2015-2018

1 Webinar views were not recorded in 2017.
2 Cumulative number of auditors approved up to year-end. In 2018, we approved 4 new auditors.
3 Total number of member companies up to year-end. In 2018, we welcomed 8 new members.
OUR IMPACT
CHANGING PRACTICES AMONG PSCI MEMBERS FROM 2015 - 2018

These responses were gathered through the annual PSCI Member Benchmarking Survey, through which members self-assess their performance against the PSCI Principles and practices.
WHAT OTHERS SAY

PSCI ADVISORY PANEL

HILLARY AMSTER
Responsible Business Alliance
Senior Program Manager
“The RBA has 140 members and a mission very much parallel to the PSCI’s. It’s great to be able to share what we learned on our journey, to help make real changes for workers in the pharmaceutical sector. I’m very pleased to be part of the Advisory Panel.”

SASJA BESLIK
Nordea
Head of Group Sustainable Finance
“Nordea has been challenging the pharmaceutical sector since 2014 when we published the first Bad Medicine report. The PSCI has been receptive to our challenge and to working together to improve practices. There’s much more to do, but the focus and intent is an important start.”

ANN CARTER
Baxter
VP, Global Purchasing and Supplier Management
“Professional and effective supply chain management is a major driver of value in the pharmaceutical sector. It is great to see the industry coming together to use its scale for good. I challenge the PSCI to think bigger, aim higher and become the voice for the whole sector.”

TOSHIO TAMAMURO
Takeda Pharmaceuticals
Head of Corporate Social Responsibility
“Takeda is proud to be part of the PSCI and to have held the Chair in 2017. The Advisory Panel was a chance for me to encourage my colleagues to think big, and to look for external partnerships in support of their responsibility vision.”

OTHER VOICES

ZHENHUA CHU
Zhejiang Medicine Co., Ltd.
EHS Manager and Conference Delegate
“Excellent – I’ve connected with many peers in the pharmaceutical industry and learned a lot about best practices from both the PSCI members and other suppliers.”

NIAMH MALONEY
Gilead Sciences, Inc.
Senior Director, Chemical Development and Manufacturing
“As we aspire to transform and simplify care for people with life-threatening illnesses, we anticipate that PSCI will enable us to socialize sourcing best-practices and discuss challenges with industry peers.”

KRISHNA PADIA
Green ChemiTree Foundation
“Your partnership and timely support at our conference this year enabled us to create a successful deliberation for the participating companies!”

NOORA PARONEN
Orion Corporation
Head of Corporate Responsibility
“As a new PSCI member we signed up to discuss and share best practices in implementing the PSCI Principles and ensuring a sustainable supply chain. The opportunity to share knowledge and experiences, peer-to-peer, was very much valued.”

DIEDRE O’REILLY
Pfizer
Supplier Operations and Business Development Lead, Upjohn EHS
“PSCI’s impact on Pfizer is characterized by collaboration, collective influence, building supplier capability and continuous improvement. PSCI has enabled Pfizer to partner with others in championing responsible supply chain practices.”
OUR COLLABORATORS

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 diagnostics, biotech, generics and research-based pharmaceutical companies and associations joining forces.
www.amrindustryalliance.org

American Chemical Society (ACS) Green Chemistry Institute Pharmaceutical Roundtable
ACS GCIPR’s mission is to catalyse 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 is a non-profit trade association of manufacturing and other ‘industrial’ companies interested in efficiently managing waste. It conducts comprehensive, independent reviews of facilities and delivers seminars, conferences and informational documents.
http://www.chwmeg.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/

Institute of Public and Environmental Affairs
The IPE is a non-profit environmental research organisation based in Beijing. It has built a database of environmental information to serve green procurement, finance and environmental policymaking, driving cooperation between companies, government, NGOs, research organisations and other stakeholders.
http://wwwen.ipe.org.cn/about/about.aspx

The Water & Environmental Technology (WET) Center
The WET Center is led by Temple University with partner sites at the University of Arizona and Arizona State University. It 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/

Green ChemisTree Foundation
The Green ChemisTree Foundation is a non-profit foundation that aims to advance know-how on green chemistry amongst industry, academia, research institutes, governmental bodies and students. It organises workshops, seminars and conferences.
http://www.greenchemistree.co.in

The Anti-Microbial Resistance (AMR) Industry Alliance
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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/
All the financial data on this page is taken from the PSCI financial statements for the years ended 31st December 2017 and 2018.

The PSCI is funded by members paying annual subscriptions based on their size and level of commitment (Associate Members pay a financial premium reflecting the greater non-financial contributions made by Full Members). Revenues in 2018 were $608,000 up by 19% from the previous year, the increase driven by growth in membership.

Expenditure is incurred in the organisation and management of the PSCI, and on projects and events to promote responsible supply chains. Expenditure in 2018 was $476,000, an increase of 17% from the previous year.

Our external activity increased with two large-scale supplier conferences, auditor training events and an increased number of webinars and shared audits. Expenditure on organisation and management is typically less than half of the total.

The PSCI has not-for-profit status, allowing it to be mission driven and representative of its members. Unspent membership fees are retained as reserves to be invested into projects and programs in future years. The PSCI Board comprises five Directors, answerable to members as two face-to-face meetings each year, including the PSCI’s AGM in the Autumn.

### TOTAL REVENUE FROM MEMBERSHIP FEES

<table>
<thead>
<tr>
<th>Year ending 31st December 2017</th>
<th>Year ending 31st December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>$509,375</td>
<td>$607,572 ( +19% )</td>
</tr>
</tbody>
</table>

1 All values in US Dollar (USD).

### TOTAL OPERATING EXPENSES

<table>
<thead>
<tr>
<th>Year ending 31st December 2017</th>
<th>Year ending 31st December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>$407,324*</td>
<td>$475,803 ( +17% )</td>
</tr>
</tbody>
</table>

*restated
PSCI MEMBERSHIP

The PSCI has two levels of membership: “Full” membership is designed for companies that wish to actively participate in the PSCI and take leadership roles. “Associate” membership is tailored to companies that wish to take a less active role. These companies are typically just starting their responsible sourcing program, or do not have the time to participate fully. The figure to the right shows the membership number for each year at year-end.
I am very much looking forward to chairing the PSCI during 2019. Partly, this is because I appreciate the colleagues I work with and the culture that I work within; PSCI is a very collaborative and constructive place.

But the main thing I am looking forward to is seeing how the Initiative grows from the high points of 2018. We already have a number of new member companies in the process of joining and we have set an ambitious program: two supplier conferences, a big increase in hosted webinars, auditor training in Latin America, two Advisory Panel meetings and emerging partnerships with exciting organisations who can develop our thinking and help us scale our impact. I am particularly pleased to see the growth in membership among mid-sized pharmaceutical companies, something that suggests to me we are on the way to becoming the best recognised organisation for responsible supply chain management.

Each incoming Chair thinks in advance about what they can bring to the PSCI during their tenure. My passion – and much of my focus for the year – will be on strengthening PSCI’s presence in the two critical supply markets; India and China. I was fortunate enough to live in China for 19 years, and the growth of its pharmaceutical industry has been spectacular.

I plan to work with colleagues in our China group to help them influence this market, promoting PSCI via a range of Chinese organisations and initiatives – like Lamy Bao’s presentation last year to ORCHSE. The successful peer-learning at our 2018 China supplier conference demonstrates how effective it is to find and share the best practice in Chinese manufacturing.

We plan a different strategy for the Indian market. There are well-documented environmental and social challenges, particularly in the manufacture of APIs, and yet the global pharmaceutical companies are just one voice in the mix. Many companies are Indian owned and managed, so our aim is to catalyse the industry to generate improvements for itself.

We will be exploring suitable partner organisations who can take the PSCI’s philosophy and tools and customise them for this huge and dynamic country.

Another theme next year will be collaboration; strengthening our links between the Committees and ensuring that we work together effectively and holistically. We have already started this, for example in the successful collaboration last year between our Audit and Capability Groups to revise the Self-Assessment Questionnaire. I look forward to seeing more of what the Committees can do as they combine together.

We will continue to measure and report our progress, including via the Maturity Model described on page 13. We aim also to start measuring more directly with supplier companies how they have responded to the PSCI’s challenges and encouragements. I invite you to check back next year and see what we have achieved together.

GABRIELE HARTTUNG, NOVARTIS
Chair of the PSCI for 2019

MY PASSION WILL BE ON STRENGTHENING PSCI’S PRESENCE IN THE TWO CRITICAL SUPPLY MARKETS; INDIA AND CHINA.
CONTACT

Start the journey to a more sustainable future.

For more information about the PSCI please contact:

PSCI Secretariat
Carnstone Partners Ltd
Durham House
Durham House Street
London WC2N 6HG
info@pscinitiative.org
+55 (11) 94486 6315

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Cover photo by Lauren Joseph on Unsplash

Carnstone Partners Ltd is an independent management consultancy, specialising in corporate responsibility and sustainability, with a long track record in running industry groups.

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