

SANDOZ

Sandoz Legal & Compliance/
Legal STO/ Human Rights

**Sandoz Report pursuant to the
Fighting Against Forced Labour and
Child Labour in Supply Chains Act of
Canada- FY 2023**

May 2024

1. About this report

This is Sandoz's first report pursuant to the Canadian Fighting Against Forced Labour and Child Labour in Supply Chains Act. The report is made on behalf of Sandoz Canada Inc. It covers the reporting period from 1 January 2023 to 31 December 2023. Appendix I contains a table showing the extent to which this statement complies with the reporting criteria of the Fighting Against Forced Labour and Child Labour in Supply Chains Act.

2. About Sandoz

Sandoz is the leading global provider of off-patent medicines (biosimilars and generics), which account overall for approximately 80% of medicines used worldwide at a fraction of the total cost. Our purpose is to pioneer access for patients. We focus on driving access to make a difference for patients, working always with patients in mind. We provide high-quality medicines that alleviate society's greatest disease burdens through technological leadership and integrative access approaches. Sandoz is headquartered in Basel, Switzerland. In addition, we have 18 operational manufacturing sites around the world. For more information, please visit [About Sandoz | Sandoz](#).

Sandoz Canada Inc. is a 100% subsidiary of Sandoz and our group-wide human rights and labour rights policies are applicable to it. Prior to the spin-off in October 2023, Sandoz was part of the Novartis Group and human rights due diligence was implemented under the Novartis human rights program.

3. Sandoz commitment to human rights

The Sandoz Group, its subsidiaries and affiliated entities including Sandoz Canada Inc. is committed to conducting business in a manner that respects the rights and dignity of all people¹. Sandoz commitment to human rights underscores our dedication to responsible business practices that respect the dignity and rights of all individuals. We proactively strive to prevent and mitigate potential adverse human rights impacts across our operations, products, services and value chain. As stated in our [Sandoz Human Rights Commitment Statement](#), in conducting our business, we aim to ensure that all aspects, from development to commercialization, and from manufacturing to supply chain management, conform to the principles of dignity, equality and fairness. In delivering our commitments we pay particular attention to the rights of vulnerable groups in our global operations, especially patients, children and adolescents, migrant workers, and persons with disabilities.

Our human rights program and due diligence activities are aligned with international human rights standards including those listed in the International Bill of Human Rights², the United Nations Guiding Principles on Business and Human Rights (UNGPs), the ILO Standards, and the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct (OECD Guidelines). In 2023, we made progress in addressing the risks of forced labour and child labour and we are firmly committed to further improving our policies and practices.

4. Steps taken to address forced labour and child labour

At Sandoz, we are committed to preventing and reducing the risk of forced labour, child labour and other forms of human rights abuses at every step of our operations and supply chains. Through our Human Rights Programme, we proactively seek to prevent and mitigate potential adverse human rights impacts throughout

¹ Sandoz Code of Ethics

² Universal Declaration of Human Rights (UDHR), the International Covenant on Civil and Political Rights (ICCPR) and the International Covenant on Economic, Social and Cultural Rights (ICESCR).

our operations, products, services, and value chain. Where pertinent we take appropriate remedial action to stop and minimize potential risks or adverse impact that may be linked to our operations.

4.1 Steps taken regarding our own operations

Governance

During 2023 we have created a new governance structure to manage and address human rights. We assign accountability to the General Counsel & Chief Compliance Officer, for implementing the human rights strategy. A dedicated Human Rights team within the Global Legal and Compliance Function is responsible for operationalizing Sandoz's human rights strategy (which encompasses forced labour and child labour) throughout global operation. In implementation of the human rights program, they work closely with key functional experts and relevant stakeholders across the company including Legal & Compliance teams, Third Party Risk Management (TPRM), Procurement, SpeakUp Office, People & Organization (P&O) and Environmental, Social and Governance (ESG). These teams collaborate closely to address human rights and labour rights risks effectively in our own operations and in our supply chain.

Policies

During 2023 we updated our policies to ensure the respect of human rights standards. These policies include the Code of Ethics, the Human Rights Commitment statement and the Third-Party Code. Detailed information on our policies can be found in section 6 of this report.

Conducting due diligence

During 2023 we analyse our own operations and supply chain to identify and address the risks associated with human rights including forced labour and child labour. Our assessment considers two key factors: product and service category risk and country-specific risk factors.

4.2 Steps taken regarding the supply chain

Sandoz works with third parties aligned with our values and ethical principles. According to our internal global procurement policy, Sandoz will only engage in contract relations with a Third Party after a robust and risk-based assessment process has been conducted to ensure that the Third Party operates to the same standards as our own.

Third Party Risk Management (TPRM) is our process for identifying assessing and managing risk related to the activities of our third parties. Before entering into business relationships with new third parties, our Human Rights team in conjunction with the Third-Party Risk Management (TPRM) team carefully screen and assess the potential business partners to identify risks of modern slavery and other human and labour rights set out in the [Sandoz Third Party Code](#). Our human rights and labour rights experts regularly monitor and assess third party risks during the entire lifecycle of the business relationship.

We assess third parties based on country risks, industry-specific risks and the nature of the product or service. We investigate any third parties with negative media coverage and collect additional information from the third party where appropriate, to understand the issue and determine whether corrective actions are necessary. Our TPRM system classifies all suppliers according to human rights and labour rights risks (high, medium or low).

For low-risk third parties, a negative media screening is performed, considering allegations related to modern slavery. If any red flags are detected, these third parties must fill out a Third-Party Questionnaire (TPQ). Additionally, if serious risks are identified, Corrective and Preventive Actions (CAPAs) must be created and implemented.

For medium-risk and high-risk third parties, completion of a Third-Party Questionnaire (TPQ) is obligatory. TPQs cover specific inquiries related to human rights and modern slavery, including responsible recruitment practices, age verification of workers, overtime compensation, and labour policies. After receiving the

completed TPRQ, we assess compliance with our Third-Party Code. If any non-compliance areas are identified, the third party collaborates on developing time-bound Corrective and Preventive Actions (CAPAs). CAPAs can be initiated both before contracting with a third party and after their onboarding. Our TPRM labour rights team monitors CAPAs to document evidence of remediation. In cases of persistent non-compliance, enforcement actions, including termination, may be considered. Additionally, on-site audit checks and monitoring activities may complement CAPAs as needed.

Regardless of the risk level, our standard supplier contracts include the Third-Party Code. These contracts authorize us to conduct audits to monitor compliance, where deemed appropriate. Where human rights risks have been identified whether discovered during an audit or otherwise, we initiate appropriate corrective and preventive actions (CAPAs). Persistent non-compliance may result in a termination of the business relationship with the third party. In addition, Sandoz Canada Inc. requires third parties to comply with the Canadian Fighting Against Forced Labour and Child Labour in Supply Chains Act.

5. Sandoz structure, activities, and supply chain

Our business structure and operations

Sandoz is a multinational group of companies operating in the off-patent medicines segment. It specializes in the development, manufacturing, marketing and distribution of generic pharmaceuticals and biosimilars. All of these business and functional activities are managed globally on a vertically integrated basis.

In 2023, Sandoz employed more than 20,000 employees worldwide. Our Canadian entity Sandoz Canada Inc. had an average of 299 employees and 22 contractors. Detailed information on our business structure, employees and operations can be found in our [2023 Integrated Annual Report \(my-sandoz.com\)](#).

Our supply chain

Across Sandoz, we work with a wide range of valued external third parties, including suppliers and vendors, universities, research collaborators, Healthcare Professionals (HCPs) and Healthcare Organizations (HCOs), in-licensing parties (for small molecules), law firms, wholesalers, and distributors. According to the [Sandoz Third Party Code](#), we hold our business partners to high standards and require them to meet and exceed all legally required ethical and human rights standards.

Sandoz is a member of the [Pharmaceutical Supply Chain Initiative \(PSCI\)](#) and our Third Party Code is consistent with the [Principles for Responsible Supply Chain Management](#).

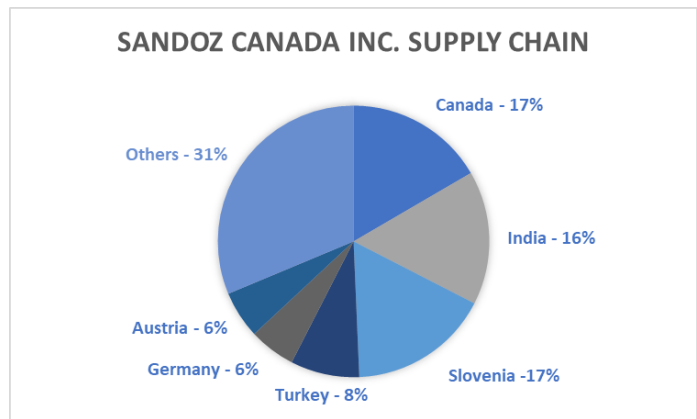
We choose our partners based on their capabilities and competitiveness, as well as their ability to meet our high health, safety and environment (HSE) and environmental, social and governance (ESG) standards. These standards encompass human rights, environmental compliance, animal welfare, anti-bribery, data privacy, responsible minerals, trade sanctions, and more. This comprehensive approach underscores our commitment to ethical business practices and sustainability throughout our supply chain.

Our Portfolio in Canada

In addition to being a global leader in biosimilars and generic antibiotics, dermatology and transplantation medicines, Sandoz portfolio of products in Canada includes six biosimilars with many more to come, and over 700 generic products covering 250 molecules and medicinal ingredients spanning multiple therapeutic areas including but not limited to: Anti-infective, Anti-allergic, Anti-inflammatory, Cardiovascular, Central nervous system (CNS), Oncology, Ophthalmology, Transplantation, Women's health, Growth hormone deficiency and Auto-immune Diseases.

To make this medicine accessible to thousands of patients we work with more than 46,000 third parties globally. Of these, approximately 2,000 are directly related to our operations in Canada. They are either direct or indirect suppliers.

The chart on the right illustrates the distribution by country of origin of Sandoz Canada's direct suppliers. Each colour corresponds to a different country, reflecting the total percentage of suppliers located in that country or region:



This distribution highlights the importance of diversifying supply sources. To enhance resilience and reduce dependency, we strive to maintain multiple supply sources whenever feasible.

6. Policies and due diligence processes for addressing forced labour and child labour

Policies

Sandoz has well-established policies, processes and monitoring systems in place to ensure the respect of human rights standards. We expect our business partners, including suppliers and customers, to share this commitment. The Sandoz commitment and principles to respect human rights apply to all Sandoz sites, operating companies, and business activities worldwide. Sandoz's human rights commitments are reflected in the following Sandoz policies and guidelines:

- **Code of Ethics:** In this policy, Sandoz commits to conducting its business in a manner that respects the rights and dignity of all people.
- **Human Rights Commitment Statement:** This statement expresses the company's commitment to the implementation of the International Bill of Human Rights, the UNGPs and the OECD Guidelines and highlights workers' rights (including forced and child labour) as a key human rights concern, both in its own activities and those of third parties. As stated in our Human Rights Commitment Statement, in conducting our business, we aim to ensure that all aspects, from development to commercialization, and from manufacturing to supply chain management, conform to the principles of dignity, equality and fairness. Labour rights including forced labour, child labour and exploitative working conditions is one of the key human rights priorities in Sandoz's human rights strategy. Our Human Rights Commitment Statement strictly prohibit the use of forced labour, child labour and other forms of modern slavery in our operations and supply chain.
- **Internal Global Procurement Guidelines:** This policy adheres to the principle known as the 'No Go Criteria,' which serves as a red line for Sandoz, indicating that the company will not collaborate with any organization employing child labour or engaging in other modern slavery-related labour practices.
- **Third Party Code:** Our Third-Party Code sets out the standards and expectations, beyond baselines set by law, that we expect our third parties to uphold. It aligns with the industry standards set by the Pharmaceutical Supply Chain Initiative. This code emphasizes that any third parties working with Sandoz shall not use forced labour and child labour or be involved in any form of human trafficking and slavery. It reflects Sandoz's commitment to working and doing business with third parties that respect human rights, labour rights and our ethical standards. It provides for screening, assessment and regular monitoring of our business partners by our Third-Party Risk Management team, in conjunction with our human rights team. The Sandoz Third Party Code provides that third parties shall not use forced or compulsory labour, child labour, involuntary prison labour, bonded labour, debt servitude, state-imposed forced labour and other forms of modern slavery and human trafficking.

- **SpeakUp Policy:** This policy sets out the procedures by which any individual, including Sandoz employees, third-party employees, contractors or any other person can report a concern to the Sandoz SpeakUp Office in relation to breaches of our policies, including the Third-Party Code, Code of Ethics, laws and inappropriate behaviour. Reports related to forced labour, child labour and other forms of human rights violations in our operations or supply chain can be reported through this grievance mechanism. Our subject matter experts will investigate the allegations and, if substantiated, ensure appropriate measures are taken to address the violation and end or minimize any impact on human rights. All allegations received through the SpeakUp channels are taken seriously and resolved through an effective, monitored system as described in Section 2.3 of our SpeakUp Policy.

Due diligence processes for addressing forced labour and child labour

At Sandoz, we conduct human rights due diligence to identify, prevent and mitigate the risk of forced labour, child labour and other forms of human rights violations in both our operations and our supply chains. Our due diligence measures processes include; embedding responsible business conduct into our policies and management systems, identifying and assessing human rights risks and adverse impacts in our own operations and supply chains. Where human rights risks or adverse impact is identified, we take appropriate preventive or remedial action to prevent, stop and mitigate it. The implementation of these measures is monitored by our human rights team and other stakeholders.

7. Risks identified in our business and supply chain

At Sandoz, we are committed to addressing risks of modern slavery in both our operations and supply chains and taking effective action to mitigate the potential and actual risks of modern slavery. In 2023, we took specific actions to assess the potential risks and implemented appropriate measures as listed below.

During 2023 we have identified certain critical product and service categories where the risk of modern slavery within our supply chains is most pronounced. These categories include:

- **Recruitment Agencies:** This includes Temporary Work Agencies (TWA), and other recruitment intermediaries that facilitated temporary labour.
- **Real Estate and Facility Services:** These services utilize informal, short-term, and low-skilled labour. Examples include catering, maintenance, construction work, and ground maintenance.
- **Agricultural Raw Materials:** Used in our medicines.
- **Packaging Materials:** Essential components in our supply chain.
- **Transport, Logistics, and Warehousing Services:** Crucial for efficient operations.

TPRM Risk Findings

In 2023, we screened 1358 third parties for labor risks, including child labor, as part of our risk management plan. Of these 1358 third parties, 195 non-compliance cases (parties) with our standards were identified. In all these cases, we opened CAPA plans, which were agreed with the third parties, both in terms and timing. During 2023, we closed 76% of these cases and are currently working on the remaining 24% of the non-compliance cases.

8. Remediation measures

Our grievance mechanism

Our risk management programs are supported by our SpeakUp office through which risks and violations relating to forced labour, child labour as well as other human rights and legal standards can be reported. Not only are our employees required to do so, but also our third parties, their employees and other external stakeholders can report conduct that is not in line with our Human Rights Commitment and the Third-Party Code.

Reports can be submitted via our web platform or via telephone to an independent external service provider. Reports can also be submitted to any country president or manager, any member of People & Organization, our Legal and Compliance team, the Global Data Protection Officer, Corporate Security, or other functions, as may be appropriate. Contribution to a SpeakUp case, either as a reporter or witness, is covered by our Non-Retaliation Policy, which grants protection to everyone contributing to a SpeakUp case. We take all reports seriously and will follow-up appropriately with our well-trained experts.

If an investigation into a report is substantiated, we will implement remedial actions and sanctions, if necessary. A root-cause analysis is part of the investigation to appropriately define the appropriate remedial actions. Remedial actions resulting from investigations are subject to rigorous follow-up.

In 2023, Sandoz updated the SpeakUp Policy and introduced our new reporting tool.. The SpeakUp reporting tool makes it easy for both employees and external parties to raise concerns and is also allowing anonymous reports. It enables effective reporting, case management and contributes to an efficient monitoring of reported allegations of human rights violations.

Remediation measures

During 2023 we have not identified a single case of forced labour or child labour in Sandoz operation our in our direct supply chain. Therefore, no remediation measures were required. Based on a comprehensive human rights risk analysis, we believe that the risk forced labour and child labour in our Tier 1 (direct) supply chain is low.

As we did not identify any instances of forced labour or child labour or have any complaints related to forced labour or child labour, no remediation of the loss of income was required.

9. Training and Engagement

Training and capacity building

During 2023 all employees undertook training on our Code of Ethics, which emphasizes our ethical commitment to human rights including the prohibition of child labour, forced labour and other human and labour rights. For 2024, our plan involves conducting trainings for employees in key functions on human rights including the prohibition of child labour, forced labour and other labour rights.

Engagement and collaboration

Sandoz actively participates in collaborative initiatives within the healthcare sector and across various industries. In the context of our commitment to preventing modern slavery, we hold membership in two key groups:

- **Pharmaceutical Supply Chain Initiative (PSCI):** As part of PSCI, we endorse the PSCI Principles for Responsible Supply Chain Management. These principles cover a wide spectrum, including human rights, ethics, labour practices, health and safety, environmental sustainability, and related management systems. We have seamlessly integrated these principles into our Third-party Code.
- **BSR's Human Rights Working Group:** Our involvement in this group allows us to gain cross-industry insights and access best practices related to human rights implementation. The working group periodically focuses on addressing modern slavery issues.

Through these collaborations, we strive to enhance our efforts in modern slavery prevention and continually strengthen our approach.

10. Assessing effectiveness of our measures

Sandoz remains committed to the fight against forced labour, child labour and other human rights violations and we seek to continuously improve our approach and rigorously evaluate its effectiveness. Evaluating the

effectiveness of our strategy to combat modern slavery serves two crucial purposes: continuous improvement and risk mitigation. By assessing our ability to identify, prevent, and address modern slavery risks, we enhance our overall approach. To gauge our progress, we rely on several key performance indicators (KPIs):

- **Supplier Screening:** We track the number of suppliers screened for labour rights compliance.
- **CAPAs (Corrective Action Plans):** We monitor the implementation and resolution of CAPAs related to modern slavery issues.
- **Capacity-Building and Pilot Projects:** We measure the success of initiatives aimed at building capacity and piloting innovative approaches.
- **Employee Training:** The number of employees completing modern slavery awareness and due-diligence e-learning training, along with their feedback, informs our efforts.


Additionally, we actively review and analyse complaints raised through our SpeakUp system. This process helps us identify areas for strengthening our human rights approach.

Attestation

This report was approved by the General Counsel and Chief Compliance Officer pursuant to subparagraph 11(4)(a) of the Act."


In accordance with the requirements of the Act, and in particular section 11 thereof, I attest that I have reviewed the information contained in the report for the entity mentioned in this report. Based on my knowledge, and having exercised reasonable diligence, I attest that the information in the report is true, accurate and complete in all material respects for the purposes of the Act, for the reporting year listed above.

DocuSigned by:


A94DB0BF31EF480...

Ingrid Sollerer
General Counsel and Chief Compliance Officer
Signed for Sandoz AG

DocuSigned by:


AE85D899F52B47A...

Michel Robidoux
President and General Manager
Signed for Sandoz Canada Inc.
I have the authority to bind Sandoz Canada Inc.

Appendix I

How this report addresses the reporting criteria under section 11 (3) of the Act

Reporting criteria	Reference in this report
The steps taken during the previous financial year to prevent and reduce the risk that forced labour or child labour is used at any step of the production of goods in Canada or elsewhere by the entity or of goods imported into Canada by the entity	Section 4
The structure, activities and supply chains	Section 5
The policies and due diligence processes in relation to forced labour and child labour	Section 6
The parts of own business and supply chains that carry a risk of forced labour or child labour being used and the steps taken to assess and manage that risk	Section 7
Any measures taken to remediate any forced labour or child labour	Section 8
Any measures taken to remediate the loss of income to the most vulnerable families that results from any measure taken to eliminate the use of forced labour or child labour in its activities and supply chains	Section 8
The training provided to employees on forced labour and child labour	Section 9
How the entity assesses its effectiveness in ensuring that forced labour and child labour are not being used in its business and supply chains	Section 10