

SANDOZ

Sandoz Legal & Compliance/
Legal STO/ Human Rights

**Sandoz UK and Australia Joint
Modern Slavery Statement 2023**

June 2024

1. About this statement

This is Sandoz's first modern slavery statement as a standalone company following the spin-off from Novartis in October 2023. This statement is made pursuant to the Australian Modern Slavery Act 2018 (*Cth*) (**Australian MSA**) and the United Kingdom's Modern Slavery Act 2015 (**UK MSA**). It covers the period from 1 January 2023 to 31 December 2023.

This is a joint modern slavery statement made on behalf of Sandoz Pty Ltd (under the scope of the Australian MSA) and Sandoz Limited (under the scope of the UK MSA). Unless expressly stated otherwise, references to 'we', 'us' and 'our' refer to the Sandoz Group as a whole including the Australian and UK reporting entities. The Appendix contains a table showing the extent to which this statement complies with the reporting criteria of the Australian MSA and the UK MSA, respectively.

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 Pty Ltd (Australia) and Sandoz Ltd (UK) are 100% subsidiaries of Sandoz Group AG and our group-wide human rights and labour rights policies are applicable to them. 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

Sandoz AG, its subsidiaries and affiliated entities including Sandoz Pty Ltd (Australia) and Sandoz Ltd (UK) are committed to conducting business in a manner that respects the rights and dignity of all people¹. Sandoz's 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 organisation, 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, the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct (OECD Guidelines) and the OECD Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas. Further details regarding our human rights commitments can be found in our [Sandoz Human Rights Commitment Statement](#).

¹ Sandoz Code of Ethics accessible at https://prod.cms.sandoz.com/sites/spare53_sandoz_com/files/2023-09/Sandoz-Code-of-Ethics.pdf

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).

In 2023, we made progress addressing the risks of modern slavery as set out below and we are committed to continuing to improve our policies and practices regarding modern slavery.

4. Business structure, operations, and supply chain

Our business structure and operations

Sandoz is a multinational group of companies operating in the off-patent medicines segment. It specialises in the development, manufacturing and marketing 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 Australian entity, Sandoz Pty Ltd, had an average of 148 employees and 7 contractors, while our UK entity had an average of 157 employees and 21 contractors. Detailed information on our business structure, employees and operations can be found in our [2023 Integrated Annual Report \(my-sandoz.com\)](https://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 and healthcare organisations, in-licensing parties (for small molecules), wholesalers, and distributors. We hold the third parties that we work with to high standards and require them to meet (and where possible exceed) all legally and ethically required human rights standards. We expect third parties we work with to adhere to our Third Party Code, which sets out our expectations in this regard.

Sandoz is a member of the [Pharmaceutical Supply Chain Initiative](#) 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 health & safety and environmental, social and governance 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.

5. Governance and policies for addressing modern slavery

At Sandoz, we are committed to addressing the risks of modern slavery both in our operations and in our supply chains.

Governance

Sandoz has committed to addressing modern slavery and other human rights risks from the top level of the company and has established a clear governance structure to manage and address those risks. Our Chief Executive Officer's endorsement of the Human Rights Commitment Statement exemplifies our commitment to upholding human rights. We assign the accountability for the implementation of this commitment to the General Counsel & Chief Compliance Officer.

A dedicated Human Rights Team within the Global Legal and Compliance Function is responsible for operationalising Sandoz's human rights strategy throughout its global operation, including our approach to modern slavery. In implementing the human rights program, the Human Rights Team works closely with key functional experts and relevant stakeholders across the company including our Ethics & Compliance Team, Third Party Risk Management Team, Procurement Function, SpeakUp Office, People & Organization Function, Environmental and Social Governance (ESG) Team and Health, Safety and Environment Team. These teams and functions collaborate closely to address human rights and labour rights risks effectively in the Sandoz organisation and our supply chain.

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. Sandoz's 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:

- **Sandoz Code of Ethics**: In our Code of Ethics, we strongly commit to conduct our business in a manner that respects the rights and dignity of all people.
- **Sandoz Human Rights Commitment Statement**: As stated in our Human Rights Commitment Statement, in conducting our business, we aim to ensure that all aspects, from development to commercialisation, and from manufacturing to supply chain management, conform to the principles of dignity, equality and fairness. Eliminating modern slavery and any form of forced labour is a key human rights priority in Sandoz's human rights strategy. We strictly prohibit the use of modern slavery including all forms of forced labour or human trafficking. We strive to ensure that everyone who works in our operations and supply chain, regardless of location, is not exposed to suffer modern slavery or any kind of forced labour, and enjoys a safe, respectful, and nurturing work environment.
- **Sandoz 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 emphasises that any third parties working with Sandoz shall not use any form of modern slavery such as forced labour, 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 sets strict human rights standards, including, but not limited to, the following:
 - Third parties shall not use forced or compulsory labour, including, but not limited to modern slavery, involuntary prison labour, bonded labour, debt servitude, state-imposed forced labour, or engage in any form of labour exploitation and human trafficking. This includes, but is not limited to the following practices:
 - **Voluntary Prison Labour.** The use of prison labour must be always communicated to Sandoz. It must always be voluntary for the prisoner and in accordance with the standards and guidelines of the International Labor Organization, in particular ILO Convention No. 29.
 - **Workers shall have freedom of movement.** Workers are free to leave their jobs after reasonable notice. Workers can freely move to and from their employment or residence at all times and are not controlled by security guards.
 - **Retention of identity documents and/or passports is not allowed.** Workers are not required to hand over original versions of their personal documents to secure employment, unless permitted or required by local law. In any such event, workers must have access to their documents at all times.
 - **Charging recruitment fees and retaining cash deposits is prohibited.** Workers do not pay recruitment fees or deposits to secure their job, their employer-provided accommodation, or any training and equipment necessary to carry out their jobs.
 - **Third parties must recruit foreign migrant labour responsibly.**
 - Third parties shall oversee all steps of the recruitment process and carry out due diligence at every stage of the labour migration process.

- Third parties shall ensure foreign migrant workers have access to grievance mechanisms in a language they understand, throughout the entire labour migration process, that give effective access to remedy.
 - Third parties shall ensure the safe and dignified return of migrant workers to their countries of origin at any time, without fear of reprisal or penalties and without incurring extraordinary debt.
- Sandoz Internal Global Procurement Guideline This guideline 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 organisation employing child labour or engaging in other modern slavery-related labour practices.
 - 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 and Code of Ethics, laws, and any other 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 minimise any human rights violations. All allegations received through the SpeakUp channels are taken seriously and resolved through an effective, monitored system as described in Sections 2.3 and 2.4 of our SpeakUp Policy.

Identifying and assessing modern slavery risks

At Sandoz, we strive to identify, prevent, and mitigate potential risks and adverse human rights impacts that may be directly linked to our operations, products, services and value chain. We conduct risk analyses in our own operations and in our supply chain. Where appropriate, we take appropriate remedial action to stop and minimise potential risks or adverse impact that may be linked to our operations.

5.1 Third Party Risk Management

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 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 labor 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 action is necessary. Our TPRM system classifies all suppliers according to human rights and labor rights risks (high, medium or low).

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

For high-risk third parties, completion of a Third Party Questionnaire (TPQ) is mandatory. 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 TPQ, we assess compliance with our Third Party Code. If any non-compliance areas are identified, the Third Party collaborates on developing time-bound 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 authorise Sandoz 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 CAPAs. Persistent non-compliance may result in a termination of the business relationship with the third party.

5.2 Human rights risk analysis

In addition to our Third Party Risk Management framework, we systematically analyse our own operations and supply chain to identify and address the risks associated with modern slavery and other human rights. Our assessment considers two key factors: product and service category risk and country-specific risk factors. 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:

- **Labor Provision via Recruitment Agencies:** This involves the use of labour provided by recruitment agencies.
- **Real Estate and Facility Services:** These services utilise 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.
- **Personal Protective Equipment:** Ensuring safety for workers.

Our identification process involves analysing sourcing activities using data from diverse sources, including:

- **TPRM Framework Findings**
- **Participation in External Multistakeholder Initiatives:** Such as the Human Rights and Labor Subcommittee of the Pharmaceutical Supply Chain Initiative and the Human Rights Working Group of the Business for Social Responsibility Network.
- **Publicly Available Sources:** These include the U.S. Department of State's annual Trafficking in Persons Report, reports, and resources from organisations like Walk Free Foundation, the Business and Human Rights Resource Centre, and Global Slavery Index and regular media research on emerging modern slavery risks.

6. Risk management, findings and specific actions taken

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.

TPRM Risk Findings

In 2023, our due diligence assessment extended to 1,358 third party entities, scrutinising their practices concerning labour rights and modern slavery. This comprehensive evaluation was an integral part of our risk management strategy. Among these third parties, 195 instances of non-compliance with our established standards came to light. These violations primarily pertained to modern slavery and included the following:

- **Lack of Clear Anti-Discrimination Policy:** Some suppliers failed to implement a policy explicitly prohibiting discrimination in the workplace.

- **Absence of Collective Bargaining Rights:** Certain cases revealed that workers were denied their rights to engage in collective bargaining.
- **Missing Human Rights and Labor Policies:** A significant number of suppliers lacked comprehensive human rights and labour policies.
- **Failure to Compensate Overtime Work:** Several suppliers did not have policies in place to fairly compensate employees for overtime hours.
- **Incident and Accident Reporting Oversight:** One supplier neglected to register workplace incidents and accidents.

In all these cases, we initiated CAPAs, which were agreed with the third parties regarding both terms and timing. In 2023, we closed 76% of these cases and are currently working on closing the gaps in the remaining 24% of the cases.

Pilot project for capacity building

To prevent potential risks of modern slavery and other human rights violations in our supply chain, the Sandoz Global Human Rights Team is planning a pilot program aimed at building capacity in selected high-risk third parties to develop appropriate human rights risk management systems to identify, prevent, and mitigate potential risks and adverse human rights impacts that may be directly linked to their operations, products, services. As part of the pilot program, we will develop training materials and guidelines on modern slavery outlining specific actions that third parties should take in relation to policies and governance, due diligence on recruitment agencies, contracts, document access, fee calculations and refunds, and grievance mechanisms.

Raw Material Sourcing Risk Management

In 2023, we have striven to identify several raw materials used in our production processes where there is an increased risk of modern slavery at the source level, which is typically 3 to 5 tiers below our direct suppliers.

To ensure that our raw material supply and sourcing process is in line with our commitments to human and labour rights, in 2024, we are planning to implement a process to identify, assess and mitigate the risk of modern slavery and child labour in the lower tiers of our upstream supply chain. The process will be developed based on the criteria of the ILO core labour standards, including the prohibition of child labour and freedom from forced or compulsory labour.

7. Tracking effectiveness of our actions

Sandoz remains committed to the fight against modern slavery and we seek to continuously improve our approach to tackling modern slavery 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 and human rights compliance.
- **Corrective Action Plans:** We monitor the implementation and closing of CAPAs related to modern slavery issues and other human right risk.
- **Capacity-Building and Pilot Projects:** We measure the success of initiatives aimed at building capacity and piloting innovative approaches.
- **Training:** We track completion rates of human rights related trainings.

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

8. Engagement and training

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 three 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.
- **BSR's Healthcare and Human Rights Forum:** Through this forum, we collaborate with other pharmaceutical companies and other companies in the healthcare sector on how to address potential human rights risks in the industry.

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

Training and capacity building

All associates are required to complete annual training on our Code of Ethics, which emphasises our ethical commitment to human rights and includes standards on modern slavery. In 2023, Our Code of Ethics training was taken by 21,736 associates, which equals 95% of the total number of Sandoz associates.

We also provided training to relevant employees on mandatory human rights due diligence and legal supply chain requirements. During 2023, the Sandoz Human Rights Team conducted tailored workshops for key associates from Legal and Compliance, Third Party Risk Management and Environmental and Social Governance (ESG) that focused on the practical implementation of the human rights standards outlined in the Human Rights Commitment Statement.

9. Grievance mechanism and remediation

Our risk management programs are supported by our SpeakUp grievance mechanism through which potential violations relating to modern slavery or other human rights and legal standards can be reported. Not only are our employees required to do so, but also our suppliers, their employees and other external stakeholders can report potential misconduct 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 the People & Organization Team, 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 implement remedial actions and sanctions, if necessary. A root-cause analysis is part of the investigation and used to define the appropriate remedial actions. Remedial actions resulting from investigations are subject to appropriate monitoring.

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

10. Consultation with reporting entities

This statement was developed in consultation with the reporting entities and members of the key functions at the national and global level including the Management, the Human Rights Team, Legal and Compliance, TPRM, Procurement, SpeakUp Office, P&O, ESG, among others.

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Clint Holland

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General Manager, Sandoz Australia and New Zealand

Signed for Sandoz Pty Ltd

This Statement was approved by the board of Sandoz Pty Ltd on June 20, 2024

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Signed for Sandoz Limited

This Statement was approved by the board of Sandoz Limited on June 24, 2024

Appendix

How our Statement Addresses the UK MSA and Australian MSA Reporting Criteria

UK MSA reporting criteria	Australian MSA reporting criteria	References in this Statement
Organisation's structure, its business and its supply chains	Identify the reporting entity and its structure, operations and supply chain	Sections 1, 2 and 4
Parts of the organisation's business and supply chains where there is a risk of slavery and human trafficking taking place, and the steps it has taken to assess and manage that risk.	Describe the risks of modern slavery practices in the operations and supply chains of the reporting entity and any entities it owns or controls.	Section 5.2
Organisation's policies in relation to slavery and human trafficking; its due diligence processes in relation to slavery and human trafficking in its business and supply chains; the training about slavery and human trafficking available to its staff	Describe the actions taken by the reporting entity and any entity that the reporting entity owns or controls, to assess and address those risks, including due diligence and remediation processes	Sections 5, 5.1 and 6
Organisation's effectiveness in ensuring that slavery and human trafficking is not taking place in its business or supply chains, measured against such performance indicators as it considers appropriate.	Describe how the reporting entity assesses the effectiveness of such actions.	Section 7
	Describe the process of consultation with (i) any entities the reporting entity owns or controls; and (ii) for a reporting entity covered by a joint statement, the entity giving the statement.	Section 10
	Include any other information that the reporting entity, or the entity giving the statement, considers relevant	Sections 3, 8 and 9