

# Enhancing Supplier Relationships

## Advancing Sustainable Sourcing

Our sourcing vision is to serve as:

- Partner of Choice for internal stakeholders and suppliers
- Catalyst for supply resilience ensuring access to more markets and patients worldwide

The global sourcing efforts will be driven by the right people, trusted partnerships, robust processes, best practices and technologies that are fit for purpose, scalable and sustainable.

As the Partner of Choice and catalyst for supply resilience, sourcing is responsible for identifying, evaluating, selecting and delivering goods and services across the globe that are cost effective, compliant, innovative, sustainable and reliable.

Our council<sup>1</sup> for sustainable sourcing includes members from quality, EHS, commercial and CSR, in addition to the members of the sourcing leadership team.

In 2020, we continued to execute on our commitments to support the company's larger CSR efforts by continuing to build-out our sustainable sourcing program focused on the following areas:

- Supplier Code of Conduct
- Source selection
- Partnerships and communication
- Supplier diversity
- Monitoring, reporting and continues improvements

This group will continue to:

- Provide guidance and direction for sustainable sourcing;
- Develop policy, practice and reporting of sustainable sourcing;
- Instill the culture of sustainable sourcing within sourcing teams;
- Set annual sustainable sourcing goals and objectives;
- Develop, implement and monitor compliance of sustainable sourcing policies and metrics; and
- Continue to expand our focus on Green Procurement.

## Building Sustainable Supplier Relationships

We rely on our suppliers and business partners to deliver high-quality, affordable and accessible products to our customers and ultimately to patients. Maintaining good relationships helps not only to reduce risk and ensure a high-quality and reliable supply but also helps us partner on our sustainability practices.

In 2020<sup>1</sup> we continued to build-out our Supplier Relationship Management program focusing on preferred suppliers to mitigate risk and enhance long-term strategic partnerships. The program aims to minimize risks by consolidating our supply base with preferred suppliers.

## Mitigating Supply Chain Risk

We have a robust due diligence process to better understand supplier capabilities and ensure their ability to comply with regulatory and compliance requirements. Our source selection process is governed by a Source Review Committee (SRC), comprised of a cross-functional internal team from Science, Legal and Sourcing.

This team also manages the selection of API suppliers. We have a proactive risk mitigation program to protect the supply chain by strengthening supply agreements with current suppliers and qualifying alternate suppliers. We monitor performance through reporting, trend analysis and consistent business review meetings. Further, we have established escalation and cross-functional issue management processes. Sourcing teams routinely meet with suppliers to review the performance of supply and create action plans to address identified risks. For our third-party finished dose formulation suppliers, we maintain an end-to-end product management approach.

## Source Selection<sup>1</sup>

Source selection is a key sourcing process to ensure vendors meet our minimum standards for quality, cost and compliance. In 2020, we continued to expand our focus in this area to include:

- The legacy Mylan standard Supply Agreement template includes sustainability language and language on the right to request supporting documentation, the right to audit and implementation of corrective action plans as needed. These templates apply to new agreements.
- Sustainability is part of the source selection process for direct materials. The practice aims to verify that the supplier has established a sustainability program and has set sustainability goals.
- We require vendor acknowledgement of our Supplier Code of Conduct prior to new source selection or renewal of existing Supply Agreements for Direct Materials.



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## Supplier Code of Conduct<sup>1</sup>

Our Supplier Code of Conduct provides guidance for doing business with us and supports our efforts to inspire, engage in and foster better health for a better world. Further, it aims to enhance supplier relationships and helps mitigate supply chain risks. We are committed to continually working to improve our operations and expect our business partners to promote similar principles throughout their supply chain. In 2020, we continued to:

- Enhance internal training on the Supplier Code of Conduct which is required to be completed on a biannual basis and relaunched training for employees with purchasing, supply chain and sourcing roles.
- Promote our Supplier Code of Conduct and reiterated our commitment to sustainability in supplier meetings.
- Initiated, amended and/or extended all direct material contracts to include language that requires suppliers to formally abide by the principles of our current Supplier Code of Conduct and provide data as required to support the principles.
- Provided the Supplier Code of Conduct to approximately 100% of direct material suppliers and more than 70% of indirect suppliers.

## Supplier Assessments<sup>1</sup>

To further build on our sustainable sourcing commitment and increased transparency in our supply chain, we have partnered with a third party.

- During 2020, we migrated our supplier self-assessment program to the third-party online platform to help systemize and drive efficiency in supplier follow-up, supplier engagement, share best practices and track certifications.
- This partnership will allow us to leverage the EcoVadis global and scalable platform, expertise and trusted methodology to expand our program.

## Promoting Supplier Diversity in the U.S.

The commitment to diversity and inclusion encompass not only our colleagues and patients, but also business partners. Our U.S. Supplier Diversity Program supports small businesses and businesses owned by minorities, women and veterans. We have worked to build relationships with small and diverse businesses.

Our senior management meets quarterly to review achievements related to supplier diversity, and we continue to make program adjustments as we seek to expand our efforts in this area.


We train our sourcing employees on this initiative, monitor spending and provide access to databases featuring diverse suppliers to promote these businesses.

### Partnership for Responsible Supply Chains in the Pharmaceutical Industry

As part of advancing our commitment and work in sustainable sourcing, in March 2021, Viatris joined the Pharmaceutical Supply Chain Initiative (PSCI) and plans to further advancing responsible practices to continuously improve social, health, safety and environmentally sustainable outcomes for our supply chains. We share the belief that partnership and cooperation can scale positive progress, bring synergies and enhance efficiency across our supply chains, ultimately allowing all of us to allocate resources towards the mission of creating patient access to high-quality medicine.

[View the full Viatris 2020 Sustainability Report](#)

### Related Sources

 <sup>1</sup>Refers to legacy Mylan



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