

Due Diligence (DD)

Back to Basics – An ESG Imperative

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Introduction



The Pharma Industry claims:

we are here to improve patients' lives

HANDS UP if you agree!





Introduction



Pharma Industry – we are here to improve patients the lives of people.

- How do we do this?
 - We actively look for and do not directly or indirectly, through ignorance or negligence, cause harm to people.
- We'll explore some topics and suggest how to move this agenda forward.



Supplier Qualification

What does it protect?



- Desk research of databases for potential suppliers
- RFP including ESG questions shortlisting based on answers and scoring
- Pre-scheduled visit to suppliers site
- Walk around site see where the product will be manufactured
- Samples provided hopefully they pass
- QA Audit usually pass with some potential remediation work required
- Raise the purchase order, material is delivered, hopefully passes, moves into production
- QA re-audit based on risk but usually once every 2 years



Safety – Pharmaceutical Industry

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Study – A database of 73 global process safety incidents was developed between 1985 and 2019, associated with 108 fatalities

- 83% of global fatalities in India and China ¹.
- Explosions were associated with 71% of incidents, which resulted in 89% of fatalities.
- Hazard awareness & identification was the primary factor contributing to incidents.
- Less severe incidents do not appear to be reported internationally.

Challenge:

Lack of a global multi-industry database of process safety incidents.... [to] serve as a basis for organizations to improve their safety management.

¹ Journal of Loss Prevention in the Process Industries. Volume 68, November 2020, 104279



Procurement Must be Skeptical



What is the true cost of cheap products?

- RFPs -Suppliers may misunderstand questions and exaggerate, omit, or lie in their answers.
- Procurement staff must be trained in DD.
- Procurement must visit the supplier site for proof
- Supplier site visit must be:
 - All-encompassing go to all parts of the site, especially the areas for ETP, construction, etc.
 - Do not accept excuses on observations push hard for real answers, ask for documents.
 - Use a pre-approved questionnaire with a significant contribution from EHS.
 - Look for poor practices on ESG safety, explosion risk analysis, ground contamination, and labor.
 - Provide feedback to the supplier at de-brief on exactly what you've seen and what you expect to be done.

For practices that are likely to cause harm

- do not award business until rectified.



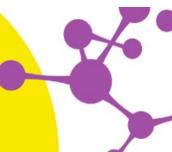


Due Diligence (DD)



Procurement can make a big difference on ESG

- Desk research of databases for potential suppliers
- RFP including ESG questions shortlisting based on answers and scoring
- Pre-scheduled visit to suppliers site
- Cross-functionally assembled questionnaire template
 - Requires whole site inspection with a big focus on ESG
- DD Questionnaire stored centrally in buying company
- Supplier must remediate adverse observations to move forward in qualification
- Once evidence provided of remediation, DD is passed forward to QA
- QA review Procurement observations and comments on the DD Questionnaire
- Samples provided hopefully pass
 - THE REST IS THE SAME





Spot The Issue?







Ground Contamination









Construction



1 in 4 workers dies on construction sites: IIT Delhi study



Metal scaffolding is safer but bamboo scaffolding is cheaper – Journal of Safety Research Volume 34, Issue 5, 2003, Pages 589-596

Seven construction workers suffered severe injuries after a bamboo scaffolding put up for repairs and painting of a 19storey residential building in Balkum area collaps ... Read More





Modern Slavery

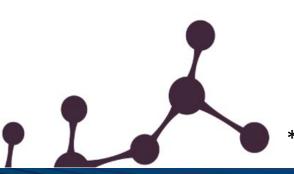
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~40-50M victims globally (18M in Supply Chain)

India and China are high risk on Global Slavery Index*

- Forced to work through mental, economic or physical threat
- Owned or controlled by an 'employer', usually through mental or physical abuse or the threat of abuse
- De-humanised, treated as a commodity or bought and sold as 'property'
- Physically constrained or have restrictions placed on his/her freedom

Some Hot Spots: Sub-contractors, low skilled workers, recruitment agencies, hours worked, no- grievance/ non retaliation policy, accommodation, PPE, children.





Final Thoughts & Comments



If the world were perfect, there wouldn't be prisons.

What is the difference between price versus and cost?

What are our moral obligations and how hard do we look?

Do we maintain a high bar for ESG standards in those we do business with?

Procurement must be trained, skeptical and structured to assess supplier ESG risk.

Procurement must perform DD at supplier sites

... and it must be funded.



In Conclusion



Take action right now, change your processes to capture anti-ESG signals so we can say:

THE PHARMA INDUSTRY

- "IMPROVING PEOPLE'S LIVES, EVERY DAY."