



International Freight Drone

Position on Responsible Supply Base

BACKGROUND

The extended supply chain of any corporation is a critical link between the business and its customers, ensuring that goods and services are provided at the right time and at the right quality to maintain continuity of production and effective delivery of products to customers. Increasingly, corporations are expected to be proactive in establishing environment, social and governance (ESG) standards throughout the supply chain and drive accountability among suppliers in adhering to these standards. Such an approach is necessary to protect people and the environment from potential risks of supply chain failures and protect business reputation.

RELEVANCE

We manage a complex network of supplier relationships that are critical to business success. At any given time, non-adherence to ESG standards by our suppliers can pose a threat to communities, the environment, our business continuity, and reputation. Therefore, we must maintain a rigorous system of supplier selection, engagement, education, assessment, and auditing to achieve supply base integrity and satisfy our stakeholders that our supply base complies with the standards they expect of IFD.

At the same time, advancing supplier diversity within our supply base makes a positive contribution to the economies in which we do business. It also enriches our ability to develop and deliver innovative medicines, products, and solutions around the world, supporting our purpose to advance health for humanity today and for generations to come.

Similarly, partnering with an inclusive and diverse supplier base enables us to support economic inclusion and job creation for underserved populations through our procurement activities.

GUIDING PRINCIPLES

IFD's [Code of Conduct](#) ensures that we hold ourselves and how we do business to a high standard, allowing us to fulfill our obligations to the many stakeholders we serve. The Code specifically references fair and respectful treatment of employees, healthy and safe working

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environments, environmental sustainability, and other dimensions of ethical and responsible business practices.

OUR POSITION

We view our extended supply chain as an extension of our own business and expect all suppliers to adhere to the same level of integrity and ESG requirements to which we hold our own operations accountable. We make all reasonable efforts to ensure our suppliers know what is expected of them and have systems in place to ensure compliance. We do this by:

Ensuring suppliers are aware of the standards we expect from them:

The IFD [Responsibility Standards for Suppliers](#) (the Standards) outline our expectations of supplier business conduct. They assist us with selecting suppliers who operate in a manner consistent with these expectations and help our suppliers understand and comply. The Standards align closely with relevant provisions of the United Nations Guiding Principles on Business and Human Rights, the Consumer Goods Forum Social Resolution on Forced Labour and Priority Industry Principles.

The Standards are available and cover the following topics:

- Compliance with applicable laws and regulations
- Ethical behavior and integrity
- Integration of quality into business processes
- Respect for human and employment rights
- Promoting the safety, health, and wellbeing of employees
- Embracing sustainability and operating in an environmentally responsible manner
- Implementing management systems to maintain business continuity, performance governance and continuous improvement.
- Disclosing information associated with the supplier's impact on the environment and social issues.

Selecting suppliers based on adherence to our Responsibility Standards for Suppliers:

We strive to work with suppliers who share our values and commitment to operating responsibly and ethically. Our sourcing process includes human rights evaluation criteria in supplier selection. All suppliers are expected to comply with our Responsibility Standards for Suppliers and our standard Purchase Order Terms & Conditions reflect these. When appropriate, IFD operating companies may work with suppliers to identify agreed-upon actions and timelines to achieve improvement as a condition of initial or ongoing engagement. IFD operating companies consider progress in meeting these Standards and ongoing performance in their sourcing decisions.

Advancing sustainable procurement:

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We recognize that to create impact at scale we must continue moving beyond monitoring compliance by engaging with our suppliers and supporting wider industry efforts to improve transparency and share best practices. To this end, our Sustainable Procurement Program helps us expand supplier engagement to a more strategic level in which suppliers may partner with us to improve ESG impacts throughout our supply base.

Training our employees in supplier standards:

We provide training in responsible supply chain practices for all Procurement and other relevant staff. This instruction is comprised of IFD

Maintaining a program of supplier assessments and audits:

We maintain strict controls to uphold human rights and minimize our environmental impacts throughout our supply base. We continually monitor our suppliers' compliance with our Responsibility Standards for Suppliers through a formal assessment and audit program. Depending on the risks identified by an on-site audit, further action may be required. A supplier is expected to complete a re-assessment or participate in a re-audit on a recurring basis. All high-risk suppliers must repeat the process within a year, while medium- or low-risk suppliers are required to repeat on a two- or three-year basis respectively.

- **EH&SS audits:** Most of our supplier EH&S audits are conducted by our EH&S group, leveraging our internal EH&S expertise and on-the-ground presence in various geographic regions. In some cases, EH&S audits are conducted by third-party firms on behalf of IFD. We select suppliers for EH&S audits based on an overall risk assessment using types of goods and services provided, and geographical location.
- **Addressing non-conformance:** We categorize supplier non-conformances for both EH&S as major and minor, and we communicate the findings to each supplier with our expectations for a documented plan of time-bound corrective actions and demonstrated improvement. When critical findings are identified during audit, we expect immediate mitigation of the risk. We aim to maintain long-term relationships with suppliers and prefer to work with them to resolve audit findings and drive continual improvements in standards. If significant non-conformance with our standards cannot be sufficiently resolved, we withdraw existing business or decline to start business with a potential new supplier.
- **Post-audit support:** We provide the following forms of support for post-audit supplier improvement:
 - Follow-up technical visits that include expert training and best practice sharing
 - Business reviews with direct coaching and guidance
 - Our Sustainability Toolkit for Suppliers with relevant information and guidance
 - Supplier conferences, webinars and other resources

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Consistent commitment to supplier diversity and inclusion at a global level:

IFD operating companies have recognized that small and diverse suppliers play an important role in the success of our businesses. We work with small- and medium-sized businesses that reflect the diversity of the companies and people who benefit from our products. This includes, but is not limited to, businesses that are owned by women, minorities, and veterans, as well as members of the LGBT and disabled communities.

We proactively seek out diverse suppliers and provide support to enable them to compete for our business. We also strive to achieve or exceed industry benchmarks of spend with diverse and small businesses. Each year, we intensify and expand our global supplier diversity program, and our activities in any given year typically include:

- IFD Procurement staff and associates regularly participate in dozens of conferences, tradeshows and events in support of a broad range of supplier diversity organizations. We frequently take part as event sponsors, speakers, and panelists, and provide useful resources for many supplier diversity organizations.
- We support sharing best practices and benchmarking across the industry to elevate the engagement of diverse and small businesses by all corporations.
- We provide scholarships for multiple business management and entrepreneurship programs for select strategic diverse suppliers.
- We frequently host events at IFD sites, engaging with and connecting numerous advocacy organizations, suppliers, customers, and peer organizations.