

PFSCM **COMMUNICATION OF ENGAGEMENT** 2022



PFSCM's Quality Management System has been certified to ISO 9001:2015 Quality Management System Standard by DQS Inc. Ref Registration # 10012936 QM15



JSI RESEARCH & TRAINING INSTITUTE, INC.

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Statement of Continued Support by the PFSCM Director

It gives the Partnership for Supply Chain Management (PFSCM) great pleasure to express our continued support for the UN Global Compact, and renew our commitment to the initiative.

PFSCM is a specialized procurement services agent and supply chain management organization serving global and national customers who manage or fund some of the most fragile, and most important public health supply chains in the world.

PFSCM's mission to improve access to quality health products and our global health supply chain activities offer us the opportunity to be involved in the advancement of several Sustainable Development Goals (SDGs). While sourcing, moving, and storing health products we influence the development of infrastructure, policies, and systems that are essential for Good Health and Wellbeing, Responsible Consumption and Production, Climate Action, and much more.

PFSCM joined the UN Global Compact in 2018 and submitted our first CoE in 2020. Between 2018 and 2020, much of the work we did to align ourselves with the UN Global Compact's Ten Principles involved the creation and updating of documents like policies and standard operating procedures (SOPs). Owing to the fact that PFSCM is an ISO 9001:2015-certified organization, the documenting of new processes, procedures and policies is of utmost importance to us, and of course, of equal importance is executing and delivering on the promises of those documented activities.

Since our last CoE submission in 2020, we have refined many of the new policies, and we have added a new policy on Equity, Diversity, and Inclusion (EDI). The EDI policy describes why we value staff diversity, and alludes to the practical actions taken in people management to create a work environment that reinforces these principles.

Read more about the EDI policy in **SECTION A**.

Further, we also initiated several activities to reduce our climate footprint.

On the logistics front, we refined our Load Optimization tool to ensure cargo space is used optimally, we started using data loggers in our cold chain shipments, and we actively engaged with the Smart Freight Centre's Global Logistics Emissions Council (GLEC) for emissions tracking.

In addition, on the procurement front, we implemented a Supplier Relationship Management (SRM) system that gives us more visibility into the sustainability practices of our suppliers.

We are also using the system to undertake a supplier sustainability survey with all our suppliers. The survey results will help us better understand the sustainability priorities of our suppliers and will enable us to meet the requirements for ISO:20400 standards in Sustainable Procurement.

Also worth noting is that supplier sustainability factors are now part of our sourcing strategy, and part of the criteria used to evaluate the suitability of a supplier.

We also defined our local sourcing strategy that is a key component in transforming health supply chains into sustainable and self-sufficient mechanisms.

Read more about our logistics and procurement related sustainability initiatives in **SECTION B AND C**.

Meanwhile, we also developed a **Sustainability Strategy** that we are busy executing. The strategy not only includes the above-mentioned activities, but also covers more focus areas with attainable targets.

Read more about our Sustainability Strategy in **SECTION D**.

In closing, the last two years have been productive for us in deepening our understanding of the health supply chain sustainability issues that affect us, our clients and ultimately patients dealing with COVID-19, HIV, tuberculosis and malaria.

We made good progress in further aligning our organization with the UN Global Compact's Ten Principles, and we look forward to continuing our journey to becoming an even more responsible and caring organization.

Edward Wilson
PFSCM Director

PFSCM Communication on Engagement (CoE)

Descriptions of actions and measurement of outcomes

SOCIAL

5 GENDER EQUALITY



8 DECENT WORK AND ECONOMIC GROWTH



10 REDUCED INEQUALITIES



ALIGNMENT WITH UN GLOBAL COMPACT'S 10 PRINCIPLES

LABOR

Principle 6: the elimination of discrimination in respect of employment and occupation.

ALIGNMENT WITH SUSTAINABLE DEVELOPMENT GOALS

SDG 5: Gender Equality

SDG 8: Decent work and Economic Growth

SDG 10: Reduced Inequalities

a. PFSCM's Policy on Equity, Diversity, and Inclusion (EDI)

Our new EDI policy published in 2021 stipulates the below:

PFSCM is committed to fostering, cultivating, and preserving a culture of Equity, Diversity, and Inclusion (EDI).

Our people are the most valuable asset we have. The collective sum of the individual differences, life experiences, knowledge, inventiveness, self-expression, unique capabilities, and talent that our staff invest in their work represents a significant part of not only our culture, but our reputation, and organization's achievement as well.

We embrace and encourage our staff's differences in age, color, disability, ethnicity, family or marital status, gender identity or expression, language, national origin, physical and mental ability, political affiliation, race, religion, sexual orientation, socio-economic status, veteran status, and other characteristics that make our staff unique.

PFSCM's diversity initiatives are applicable—but not limited—to our practices and policies on recruitment and selection; compensation and benefits; professional development and training; promotions; transfers; social and recreational programs; layoffs; terminations; and the ongoing development of a work environment built on the premise of gender and diversity equity that encourages and enforces:

- ▶ Respectful communication and cooperation between all staff.
- ▶ Teamwork and staff participation, permitting the representation of all groups and staff perspectives.
- ▶ Work/life balance through flexible work schedules to accommodate staff's varying needs.

All staff members of PFSCM have a responsibility to treat others with dignity and respect at all times. All staff are expected to exhibit conduct that reflects inclusion during work or work functions. Any staff member found to have exhibited any inappropriate conduct or behavior against others may be subject to disciplinary action.

Staff members who believe they have been subjected to any kind of discrimination that conflicts with the organization's diversity policy should seek assistance from a supervisor or a People & Culture representative.



ENVIRONMENT

13 CLIMATE ACTION



7 AFFORDABLE AND CLEAN ENERGY



ALIGNMENT WITH UN GLOBAL COMPACT'S 10 PRINCIPLES

ENVIRONMENT

Principle 7: Businesses should support a precautionary approach to environmental challenges.

Principle 8: Businesses should undertake initiatives to promote greater environmental responsibility.

Principle 9: Businesses should encourage the development and diffusion of environmentally friendly technologies.

ALIGNMENT WITH SUSTAINABLE DEVELOPMENT GOALS

SDG 13: Climate Actions

SDG 7: Affordable and Clean Energy

b. Creating a Greener Supply Chain: Health Logistics

Logistics is a major part of our work and an area in which we are driving sustainability.

We take a tailored approach to planning for shipments. Large shipments are evaluated and may be staggered, split, consolidated or repalletized to ensure the most economical and environmentally friendly modes and solutions are pursued within reasonable lead times. We select reliable modes of low-carbon transport and we try to move our goods in as few trips as possible.

We move our health products via shippers who use greener fuels and embrace emission reducing techniques and tools such as slow steaming, weather routing, contra-rotating propellers and propulsion efficiency devices. We also pursue opportunities to test new design, material and digital innovations for reefer containers and pallets.

b.1 Load Optimization for optimal use of cargo space

We use our Load Optimization tool to ensure our suppliers and 3PLs are using cargo space optimally to reduce waste and save costs. Our Load Optimization tool flags large volume and large value orders for packing review; the review process often reveals opportunities to amend product-, pallet- or container packing configurations for improved use of valuable space.

OUTCOME: We have had notable successes in influencing suppliers to adapt their packaging and packing processes. For example, for one type of Rapid Diagnostic Test (RDT), we recommended double-stacking smaller pallets instead of packing on larger pallets (which had been the norm), which avoided manual pallet reconfiguration on arrival, saving about 10% of the total freight cost.

Meanwhile, in 2021, we worked with a COVID-19 diagnostics manufacturer to help them optimize the palletization of their COVID-19 test kits. This resulted in over \$1 million in savings for our main client. Apart from the cost saving, these initiatives ensured cargo space is not wasted and extra work is not created further down the supply chain.

Double stacking, which was identified through PFSCM's Load Optimization, will save about 10% on the freight cost of one particular kind of RDT; the initiative also eliminates extra work further down the supply chain.

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b.2 Data loggers for visibility into temperature excursions

PFSCM ships lifesaving, temperature sensitive cargo such as viral load diagnostics, early infant diagnostics, RDTs, and other laboratory and diagnostic products for the detection, prevention and treatment of COVID-19, HIV, malaria, and tuberculosis among other diseases.

In 2020, we collaborated with insurtech company Parsyl to deploy data loggers in all our cold chain and temperature controlled shipments.

Data loggers, or sensing devices, monitor and capture valuable information about the temperature and humidity commodities are exposed to during transportation and storage. This information can be used better understand shipping conditions, and more effectively manage risk should any irregularities occur.

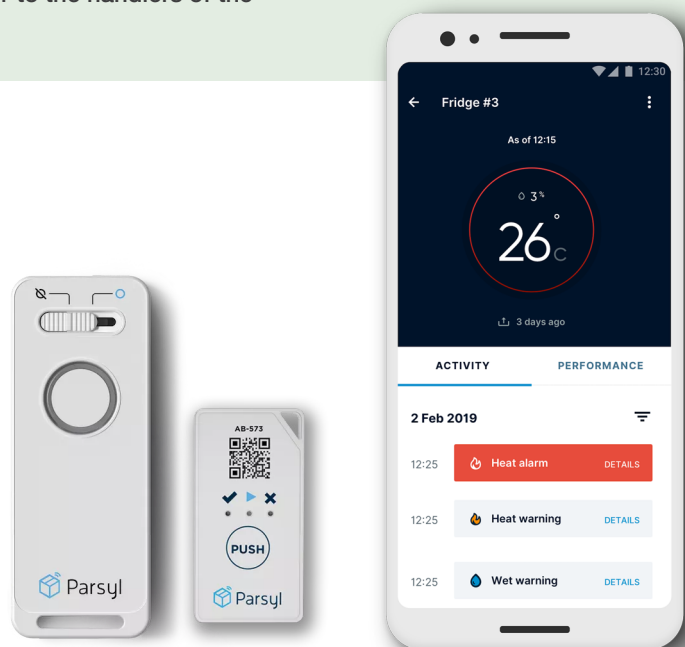
Data captured by these devices also play a critical role in increasing accountability among stakeholders, planning for future shipments, reducing waste; ensuring product integrity is maintained during shipping, and improving the overall efficiency of insurance claims.

OUTCOME: The placement of data loggers delivered good results. In 2021, PFSCM equipped nearly all its cold chain and frozen shipments with data loggers. Last year, PFSCM delivered 370 cold chain and frozen shipments — 60% more than the year before. In total, 96% of these shipments were equipped with a data logger in compliance with Parsyl's Global Health Risk Facility insurance requirements.

In 2021, PFSCM only had one temperature excursion incident, which resulted in an insurance claim, in 2020 before the use of data loggers 15 such incidents were recorded, even though not all of them resulted in claims. Reducing incidents and claims means we are reducing product loss and wastage and decreasing the overall environmental impact of our services.

Further, PFSCM noticed a significant increase in accountability among supply chain stakeholders such as 3PLs. Cargo is clearly marked to show the presence of data loggers, and thus acts as a reminder to the handlers of the sensitivity of the goods.

An example of a Parsyl data logger used to monitor and capture valuable information about the temperature and humidity commodities are exposed to during transportation and storage.





b.3 GLEC for measuring and reducing logistics emissions

Each year, we manage thousands of shipments to around 100 countries.

As a member of the Global Logistics Emissions Council (GLEC), we are committed to measuring and reporting our emissions data in line with the internationally recognized Greenhouse Gas (GHG) Protocol standards and approved methodologies.

Using these data, we will work with customers, consignees, shipping companies and logistics providers to identify and advocate for measures and approaches to reduce emissions, including the use of less carbon intensive fuels.

OUTCOME: In 2021, we began collaborating with the Smart Freight Centre, an international non-profit organization that manages the GLEC Framework partnership, to model and report on our emissions. To build the model we are using our available Advanced Shipping Notice data comprising mainly transport mode and kilograms, and are still in the process of sourcing benchmark carbon emissions intensity data to complete the analysis and generate our first reports.



c. Creating a Greener Supply Chain: Health Product Sourcing and Procurement

Sourcing and procurement is an equally important and large part of our work, and an area in which we are driving sustainability.

When selecting suppliers we take social, ethical and environmental performance factors into consideration. Our aim is to build lasting relationships with suppliers who share our values in caring for the environment and people.

Further, we ensure that we are procuring quality assured products from reliable suppliers who care for the environment and people. We only buy products that are prequalified by the World Health Organization (WHO), approved by stringent regulatory authorities (SRAs) or the International Medical Device Regulatory Forum (IMDRF), and meet national regulatory requirements. We also only procure from suppliers who have passed our due diligence process, can produce appropriate quality certifications or accreditations, and who are onboarded in our Supplier Relationship Management system.

In addition, we ensure products offered to clients are affordable, fit-for-purpose, compatible, lasting and easy to maintain in the long-term. We work with suppliers who offer competitive installation, training and maintenance services.

Meanwhile, by sourcing products with less packaging and less virgin materials, for example, and sourcing from responsible suppliers closer to demand, we help to reduce the overall emissions and waste in our value chains.



c.1 Supplier Relationship Management (SRM)

In 2021, we implemented a Relationship Management (SRM) system called Kodiak Hub.

We leverage our SRM system to map the environmental practices and compliance of our suppliers and the countries we operate in. This information enables sustainability factors to be incorporated into our supplier ratings, and facilitate potential strategic shifts in our selection of suppliers and the specifications of the products we procure.

The SRM is further used to support supplier prequalification, due diligence, contract management and performance management. The tool streamlines onboarding and provides insights into suppliers' activities including their sustainability efforts.

In addition, the system manages document and communication exchange with suppliers in a quick and auditable fashion. The system also serves as a record keeping and mapping platform, and provides visibility into a suppliers' public information thus making it easier to keep track of any important business notifications or changes that an organization may undergo including updates or changes to its environmental compliance.

All supplier contracts and agreements are managed through this system including compliance with PFSCM's own Code of Conduct for Vendors and Suppliers.

PFSCM's suppliers must comply with the PFSCM Code of Conduct for Vendors and Suppliers.

Our Code of Conduct clearly describes our expectations for building sustainable and reliable relationships with our vendors and suppliers.

The Code of Conduct for our vendors and suppliers covers the below topics:

- ▶ Transparent, fair, accountable and honest procurement practices.
- ▶ Compliance with applicable laws and regulations regarding fair competition.
- ▶ Corruption, fraudulent, collusive, anti-competitive or coercive practices.
- ▶ Exchange of fees, gratuities, rebates, gifts, and commissions.
- ▶ Privacy of information, data, know-how and documents.
- ▶ Compliance with country specific laws and regulations.
- ▶ Financing and promotion of violence, and terrorism.
- ▶ Money-laundering activities.
- ▶ Maintaining complete records in appropriate books of account of all financial and business transactions.
- ▶ Disclosing actual, perceived, or potential conflicts of interest.

OUTCOME: Between 2021 and August 2022, we leveraged Kodiak Hub to onboard 120 new suppliers, and implement 34 supplier contracts using the system.

c.2 Supplier Sustainability Survey

Supplier sustainability factors are now part of our sourcing strategy, and part of the criteria used to evaluate the suitability of a supplier. We did extensive research to determine what sustainability factors would be suitable and relevant to our supplier base. Broadly, we investigated categories like policy, Quality Management Systems, Human Rights, Labor Standards, Equal Opportunity, Environmental Management, Health and Safety, and general company conduct.

We used the above categories to develop a Supplier Sustainability Survey that will be disseminated to our entire supplier network through our Kodiak Hub SRM system in 2022. The survey includes questions about:

- ▶ Policies on labor issues such as minimum wage, overtime, recordkeeping and fair and equal treatment of employees.
- ▶ Corporate Social Responsibility initiatives.
- ▶ Compliance with PFSCM's Code of Conduct for Vendors.
- ▶ Participation in the UN Global Compact.
- ▶ Quality Management Systems and Quality Inspections.
- ▶ Performance measurement.
- ▶ ISO Certifications.
- ▶ Waste management practices.
- ▶ Health and safety training, inspection, incident-reporting policies.

We will use the information of the survey to gain more visibility into the business practices of our current supplier base, and we will use this information to help us adopt ISO:20400 standards in Sustainable Procurement.



c.3 Local sourcing strategy

We use our position as a responsible organization with expertise in procurement to boost economic growth and sustainability in the communities in which we operate. We do this through identifying suitable suppliers and sourcing products as locally as possible in accordance with international standards and regulations, and client requirements; ensuring financial resources are used closer to the communities we serve, while also having the benefit of reducing transit times and transport emissions.

OUTCOMES: In 2021, had the opportunity to collaborate with a principal recipient (PR) and manufacturer to source a large emergency order of HIV self-test kits locally, in Uganda.

Locally sourcing opportunities — even though considered a supply chain best practice, which can reduce costs, risks and waste — are actually quite difficult to realize, especially in sub-Saharan Africa, which is highly reliant on imported drugs and diagnostics. We see that funded, or donated health products for large health programs are usually imported because it is more cost effective than buying locally.

Studies and literature show that the fragmented landscape of distributors, wholesalers, and retailers — who all add their individual markups to the product¹ — and the shortage of manufacturing capacity, weak regulatory systems and poor accessibility are all “supply chain gaps” that impact the price competitiveness of locally supplied, or produced health products.

Despite these challenges, PFSCM secured tens of thousands of HIV self-test kits for Uganda’s Ministry of Finance, Planning and Economic Development through a local authorized distributor at a price comparable to that of importing and shipping via ocean. The emergency shipment was required urgently, and because PFSCM was able to source the products locally, the shipment was delivered almost right away.

In 2022, we were also able to sign an Indefinite Quantity Contract with a Kenyan medical equipment manufacturer. This contract is a notable achievement for us, especially when considering the earlier mentioned challenges of securing local supply.

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An example of an HIV self test kit comparable to the ones PFSCM procured. These particular tests make use of an oral/gum swab and not a blood sample.



¹ Should sub-Saharan Africa make its own drugs? McKinsey & Company, 2019.

ENVIRONMENT, SOCIAL AND GOVERNANCE

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16 PEACE, JUSTICE AND STRONG INSTITUTIONS



ALIGNMENT WITH UN GLOBAL COMPACT'S 10 PRINCIPLES

LABOR

Principles 3 to 6

ENVIRONMENT

Principles 7 to 9

ANTI-CORRUPTION

Principle 10

ALIGNMENT WITH SUSTAINABLE DEVELOPMENT GOALS

SDG 13: Climate Action

SDG 7: Affordable and Clean Energy

SDG 5: Gender Equality

SDG 8: Decent Work and Economic Growth

SDG 10: Reduced Inequalities

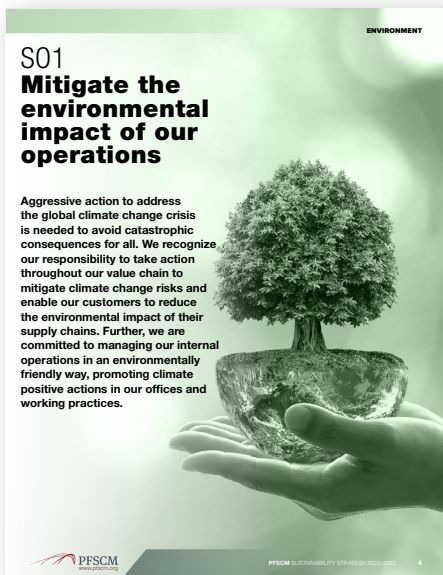
SDG 16: Peace, Justice and Strong Institutions

d. PFSCM's Sustainability Strategy published

Most notable among our various sustainability actions is the recent development of an actionable Sustainability Strategy covering three mutually reinforcing Strategic Objectives (SOs) that encompass our commitments to positive Environmental, Social and Governance (ESG) impacts:



| | Description of SO | ESG Goal/Theme | UN Global Compact Principle |
|------------|--|----------------|---|
| SO1 | Mitigate the environmental impact of PFSCM's operations. | Environment | Principles 7 to 9: Environment. |
| SO2 | Ensure the equity and wellbeing of PFSCM's staff members, and of those in the communities in which we operate. | Social | Principles 3 to 6 and Principle 10: Labor and Human Rights and Anti-Corruption. |
| SO3 | Operate with the highest standards of ethical behavior and transparency. | Governance | Principles 3 to 6 and Principle 10: Labor and Human Rights and Anti-Corruption. |





Strategic Objective 1

Mitigate the environmental impact of our operations.

- ▶ Measure, report and actively reduce CO₂ emissions from our logistics operations.
- ▶ Implement sustainable procurement practices to reduce emissions and waste in our value chain.
- ▶ Measure, report and actively reduce CO₂ emissions and waste from our internal operations.

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Strategic Objective 2

Ensure the equity and well-being of our staff, and communities in which we operate.

- ▶ Promote and ensure equity, diversity and inclusion in our workforce and operations.
- ▶ Promote and uphold the well-being and development of our staff.
- ▶ Ensure fair labor practices are adhered to throughout our value chain.
- ▶ Promote economic growth and sustainability in the communities in which we operate.

5 GENDER EQUALITY



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Strategic Objective 3

Operate with the highest standards of ethical behavior and transparency.

- ▶ Operate with integrity in all operations.
- ▶ Operate with full transparency for our stakeholders.

16 PEACE, JUSTICE AND STRONG INSTITUTIONS



The main ongoing actions from our Sustainability Strategy for 2022 to 2023 include:

| | Description of Sub-objective per Strategic Objective | Actions being taken |
|------------|--|---|
| S01 | <ul style="list-style-type: none"> » Measure, report and actively reduce CO₂ emissions from our logistics operations. » Implement sustainable procurement practices to reduce emissions and waste in our value chain. » Measure, report and actively reduce CO₂ emissions and waste from our internal operations. | <ul style="list-style-type: none"> » We are establishing a baseline of our freight emissions using the GLEC Framework. This informs reduction strategies and targets to be set. » We are establishing a baseline of PFSCM's suppliers' waste and environmental management practices, enabling reduction strategies and targets to be set; and obtaining independent confirmation of adherence to ISO:20400 Sustainable Procurement standards. » We are soliciting staff feedback and ideas related to environmental practices, we are also quantifying business travel emissions, waste generated and electricity consumed by source to inform Scope 2 and 3 Green House Gas reporting. |
| S02 | <ul style="list-style-type: none"> » Promote and ensure equity, diversity and inclusion in our workforce and operations. » Promote and uphold the well-being and development of our staff. » Ensure fair labor practices are adhered to throughout our value chain. » Promote economic growth and sustainability in the communities in which we operate. | <ul style="list-style-type: none"> » We created an EDI Policy and established a baseline of staff composition and concerns established through staff wellness surveys. We are now working to further refine our EDI policy and approach. » We are working to increase the reported well-being of our staff, and maintaining a staff turnover below the industry standard. We are also continuously reviewing pay scales and staff benefits in line with local laws and practices. » We are in the process of obtaining third party confirmation of compliance with ISO:20400. » We are establishing benchmarks and targets for local procurement by product category and spend. |
| S03 | <ul style="list-style-type: none"> » Operate with integrity in all operations. » Operate with full transparency for our stakeholders. | <ul style="list-style-type: none"> » We are working to ensure all our staff members and all our suppliers are committed to our Code of Business Conduct and Ethics. » We will issue our first Sustainability Report in 2023. This will include a multi-year sustainability strategy developed using baselines and analysis generated from the 2022-2023 Sustainability Strategy. |

In April 2023, PFSCM will produce a Sustainability Report showing the progress we have made in reaching our ESG goals.

Read our full [Sustainability Strategy here](#).

Final Thoughts

PFSCM believes we have sufficiently demonstrated our ongoing commitment to the principles and initiatives of the UN Global Compact. We recognize that there is much more work to be done, but feel confident that we are on the right path to becoming a more sustainable and responsible organization.



PFSCM COMMUNICATION OF ENGAGEMENT 2022

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