

# RESPONSIBLE AND ETHICAL SUPPLY CHAIN

## Our Responsible Sourcing Program

Building on our longstanding expectations of and engagement with key suppliers around a variety of environmental, social, and governance (ESG) issues, in 2020 we committed to creating a Responsible Sourcing Program that will enhance our ESG oversight of and collaboration with our suppliers at all levels. Most importantly, it will help reduce the collective negative impact we and our external business partners have on the environment and strengthen our support for human rights in the workplaces we influence around the world. We are currently developing our Responsible Sourcing Program; the following outlines our progress.

The foundation of our Responsible Sourcing Program are the commitments our suppliers are currently expected to follow: Biogen's [Code of Business Conduct](#), [Environmental, Health and Safety Policy Statement](#), [Human Rights Position Statement](#), and [Anti-Slavery and Human Trafficking Statement](#). These statements cover expectations for supplier conduct related to child labor, fundamental human rights, working conditions, environmental standards, occupational health and safety and business ethics. One way we evaluate these behaviors is through our Supply Chain ESG Risk Assessment process. Currently, we are working on expanding our responsible sourcing commitments and oversight summarized in two new documents: the Biogen Sustainable Procurement Principles and our Supplier Code of Conduct; see below for details. We expect to finalize and formalize adoption of these elements in 2022. Another foundational element to our Responsible Sourcing Program is the emission-reduction targets we've set for our key suppliers in an effort to decarbonize our supply chain; described in detail below. Additionally, our commitment to inclusive sourcing and procurement practices is represented in our supplier diversity program. As a member of the UN Global Compact, Biogen refers to the standards set forth by the International Labor Organization (ILO) in developing its workplace and supply chain policies, practices and/or programs.

## Sustainable Procurement Principles

As part of our commitment to environmental stewardship, we are working on creating Sustainable Procurement Principles to help our Procurement Department and employees throughout the business prioritize purchasing environmentally preferred products (EPPs). EPPs are goods and services that have a reduced impact on human health and the environment as compared to competing products serving the same purpose. Our principles are inspired by best-in-class sustainability practices across the product lifespan. Examples of principles include the procurement of products made of recycled or renewable materials, that are energy efficient, have low or zero toxic or hazardous substances, and/or are recyclable, biodegradable, can be returned to the manufacturer for reuse, etc. Our Sustainable Procurement Principles are currently under review, and we plan to implement them in 2022.

## Supplier Code of Conduct

Our suppliers are expected to do business according to the guiding principles described in Biogen's [Code of Business Conduct](#). However, we recognize the need to create standards specifically for our suppliers to ensure we are transparent and detailed with our requirements for doing business with us. We are in the process of creating a Supplier Code of Conduct that aligns with the [Pharmaceutical Supply Chain Initiative's \(PSCI\)](#) industry-standard principles, and will outline comprehensive criteria for our suppliers

across the categories of Ethics, Human Rights and Labor, Health and Safety, Environment, and Management Systems. Currently, our [Code of Business Conduct](#) outlines expectations across these important categories:

- Child labor
- Fundamental human rights
- Business ethics

## Emission-Reduction Targets for Our Suppliers

Like many companies, Biogen's largest source of fossil fuel emissions and air pollution is embedded in the goods and services we purchase. In light of our pledge to become [fossil fuel free](#) and eliminate emissions on an accelerated timeframe, we are enhancing engagement with suppliers to identify potential risks, increase transparency, and reduce climate impacts.

We typically prioritize collaborating with external business partners that we do the most business with, but in our effort to decarbonize our value chain, we are also focusing on suppliers with the highest emissions to help accelerate their transition away from fossil fuels and toward a healthier clean energy future. One way we're doing this is through our program [Energize](#), which we launched in 2021 with nine other pharmaceutical companies. Through Energize, pharmaceutical suppliers have the opportunity to learn more about the renewable energy market, receive guidance on power purchase agreements (PPAs), and access and contract for renewable energy. We're also asking our suppliers to reduce their carbon footprint through the implementation of the following targets:

- By 2025, 80% of our suppliers, by spend, covering purchased goods and services, will set climate-related science-based targets (SBTs).
- By 2030, 50% of our suppliers, by spend, will source 100% of their electricity from renewable sources.
- By 2040, 90% of our suppliers, by spend, will source 100% of their electricity from renewable sources.

To help us track progress on these targets, we have procured software that will enable us to simultaneously broaden and deepen our knowledge of our supplier impacts and operations across 21 criteria grouped into four themes: Environment, Labor and Human Rights, Ethics, and Sustainable Procurement. The criteria are based on international sustainability standards such as the Global Compact Principles, the International Labour Organization (ILO) conventions, the Global Reporting Initiative (GRI) standard, the ISO 26000 standard, and the CERES principles. Our expanded supplier evaluation will give us insight into our suppliers' progress on reducing emissions and reaching their targets and will enable us to make decisions based on the clearest and most comprehensive information we've had to date.

## Supply Chain ESG Risk Assessments

Our stakeholders expect that we understand and take steps to manage the full spectrum of ESG-related risks and impacts across our supply chain. We developed evaluation processes to fulfill this expectation with the objective of identifying potential suppliers that are "at-risk", which would warrant further evaluation. Overall, Biogen has a low ESG-related risk profile due to the geographical spread of suppliers and the nature of the goods and services that we purchase.

Our evaluation process includes:

- Human rights country-level risk screen against our entire procurement spend.
- A full ESG risk screening for our most critical suppliers by supplier location.<sup>1</sup>
- Water risk basin-level screen for a subset of critical supplier sites.
- A review of our contribution to the threat of deforestation based on our analysis of certain “at-risk” commodities purchased.
- Monitored compliance with new requirements around the world (e.g., human trafficking legislation).

## Human Rights Risk Screen

Each year we evaluate procurement spend against the country-level risk profiles developed by the U.S. State Department 's 2021 Trafficking in Persons (TIP) Report<sup>2</sup>. For the purpose of this assessment, we include supplier spend on goods, services and other non-procurable expenses such as companies we have licensing or royalty commitments as we want to identify any potential business partners that are located in an area of high risk for human trafficking for further evaluation.

Our procurement system registered a total of 45,213<sup>3</sup> unique supplier country-level locations (i.e., Biogen may purchase goods or services from a single supplier in multiple countries, where each is included in the screen) representing 99.9% of supplier spend for the 2021 calendar year:

TIP Report Ranking (in order of increasing risk)	Supplier Locations	% of Spend
Tier 1	40,461	68%
Tier 2	4,021	25%
Tier 2 Watch List	109	6.6%
Tier 3	622	0.50%
<b>TOTAL</b>	<b>45,213</b>	<b>99.9%</b>

We further evaluated supplier locations with spend more than \$0.5 million USD in Tier 2 Watch List and Tier 3 countries, excluding Ireland locations. The results indicated no supplier locations present high risk. More than 92% of procurement spend in 2021 occurred in Tier 1 and 2 countries, aligned with our commitment to managing human rights risk in our supply chain.

## ESG Risk Screen

In 2021, we evaluated 1,243 critical supplier sites, including 1,069 Tier I (direct) supplier sites representing 51% of total procurement spend and 174 Tier II+ supplier sites. This evaluation assessed each supplier against five factors: criticality of the service or good being supplied; the level of financial spend; the social risk profile; the environmental risk profile; and the governance risk profile, including potential for corruption.

<sup>1</sup> Critical suppliers are defined as approved Good Manufacturing Practice (GMP) supplier sites that supply products and services directly related to the safety and integrity of our products, which often include critical suppliers that provide materials in high-volume and any non-substitutable suppliers.

<sup>2</sup> In this report, countries are placed into one of four tiers based on whether the government meets the minimum standard for the elimination of human trafficking as stated in the Trafficking Victims Protection Act of 2000. The tiers, in order of decreasing compliance with the standard, are Tier 1, Tier 2, Tier 2 Watch List, and Tier 3. Full report is available at <https://www.state.gov/wp-content/uploads/2021/09/TIPR-GPA-upload-07222021.pdf>. Accessed June 3, 2022.

<sup>3</sup> This corresponds to 10,673 unique companies.

Twenty-three Tier I (direct) supplier sites<sup>4</sup> and four Tier II+ supplier sites<sup>5</sup> were identified as potentially higher risk, requiring further internal evaluation of the supplier's practices and services/goods provided. The conclusion of the internal evaluation was that up to two direct supplier sites may present high risk and will be prioritized for review upon launch of our Responsible Supplier Program, currently in development.

## ESG Screening Targets

To support the continual improvement of our ability to assess risk within our supply chain, Biogen set two targets:

1. Expand ESG risk screening of Tier I suppliers to 75% of spend by 2025.
2. Expand ESG risk screening of Tier II supplier sites to 500 sites by 2025.

Biogen intends to establish new ESG targets for our supply chain upon launch of our enhanced Responsible Supplier Program.

## Water Risk Profile

In 2021, we screened 212 Tier I (direct) and 87 Tier II+ critical supplier sites for potential water risk on a basin level using the World Wildlife Foundation (WWF) Water Risk Filter 6.0<sup>6</sup>. Zero direct and Tier II+ critical supplier sites had a high-risk profile (greater than 4 out of 5); 23 direct critical supplier sites and 18 Tier II critical supplier sites had a moderate risk profile (greater than 3 but less than or equal to 4 out of 5).

## Analyzing our Potential Impact on Deforestation

We analyzed 2021 direct spend data to evaluate our potential impact on deforestation through the purchase of certain purchased commodities from locations at risk of deforestation.<sup>7</sup> Our evaluation indicates that direct spend on these commodities was less than 0.1% of our total spend in 2021, with a majority of the spend focused on office supplies like paper. We were also able to confirm that none of these purchased commodities were from locations considered at risk for deforestation and that our typical sourcing of office paper meets the standards set forth by the Forest Stewardship Council.

<sup>4</sup> Excluding 17 direct sites with higher ESG risk limited to TIP Report Tier 2 designation for Denmark, Germany, and Switzerland. Excluding 36 direct sites with higher ESG risk limited to moderate environmental performance (caused by increased focus on climate change in EPI) for Belgium, Canada, Spain, and United States.

<sup>5</sup> Excluding 2 Tier II+ sites with higher ESG risk limited to TIP Report Tier 2 designation for Denmark, Germany, and Switzerland. Excluding 9 Tier II+ sites with higher ESG risk limited to moderate environmental performance (caused by increased focus on climate change in EPI) for Belgium, Canada, Spain, and United States

<sup>6</sup> Available at [www.waterriskfilter.org](http://www.waterriskfilter.org)

<sup>7</sup> At risk commodities defined by the EU rules for deforestation-free products. Areas at risk for deforestation identified by commodity based on information published at <https://supply-change.org/>.