

Report of 27 June 2024

## **Consolidated Report on the Verification of Minerals and Metals from Conflict Zones and Child Labour (Articles 16 and 17 DDTrO)**

### **1. Introduction**

The Federal Act of 19 June 2020 (in force since 1 January 2022) introduced specific **due diligence and transparency obligations** in the Code of Obligations (Arts. 964j et seq. CO) in relation to **ores and metals originating in conflict zones or high-risk areas**<sup>1</sup> and **child labour**<sup>2</sup>, which are further detailed in Ordinance 221.433 (hereinafter referred to as the "DDTrO").

These obligations require companies with their head office, main administration or principal place of business in Switzerland to carry out a process of constant monitoring of their **supply chain**<sup>3</sup> with regard to the issues described above. As the Explanatory Report of 03.12.2021 makes clear, these are obligations of conduct, and not obligations of result.

In particular, companies are required to:

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<sup>1</sup> *Ores* are defined as ores and concentrates containing tin, tantalum, tungsten, niobium or gold (also in the form of by-products); *metals* are those containing or consisting of tin, tantalum, tungsten or gold (also in the form of by-products). These are further detailed in Annex 1 of the DDTrO.

*Conflict or high-risk areas* are areas of armed conflict or fragile as a result of conflict, as well as areas characterised by precarious or non-existent governance and security, such as a failing state, and by generalised and systematic violations of international law, including violations of human rights [see Art. 2(1)c, d and e DDTrO].

<sup>2</sup> *Child labour* is defined as:

(i) any form of work performed in the context of or outside of an employment relationship by persons who have not yet reached the age of 18 years and which is one of the most manifest forms of exploitation of children at work within the meaning of Article 3 of ILO Convention No. 182;

(ii) in the case of work performed on the territory of a State that has ratified ILO Convention No. 138 also: any form of child labour prohibited by the legislation of that State, provided that such legislation is in conformity with ILO Convention No. 138

(iii) in the case of work performed in the territory of a State which has not ratified ILO Convention No. 138, in addition: a) any form of work performed within or outside of an employment relationship by persons subject to compulsory schooling or who have not yet attained the age of 15 years, and b) any form of work performed within or outside of an employment relationship by persons who have not yet attained the age of 18 years, if, by its nature or the conditions under which it is performed, such work is likely to jeopardize the life, health or morals of the young person.

<sup>3</sup> *Supply chain* means the process comprising the activity of the enterprise and that of all economic operators upstream:

(i) who are responsible for minerals or metals originating from conflict or high-risk areas and are involved in their transportation, processing and integration into the finished product;

(ii) who offer products or services in respect of which there are reasonable indications that they have been produced or supplied using child labour (see Art. 2(1)b DDTrO).

- **Establish a management system** that defines (i) the supply chain strategy for minerals and metals potentially originating in conflict/high-risk areas (hereinafter also referred to as "3TG minerals and metals") and products and services for which there are reasonable indications that child labour is involved; (ii) the supply chain traceability system, which allows for the documentation of certain information on individual products or services in the upstream supply chain;
- **establish a risk management plan**, describing the methods the company uses to identify, analyse and weigh the risks of adverse effects of its activities in the supply chain, taking into account the likelihood of their occurrence and the severity or extent of their adverse effects;
- **report on how the above-mentioned obligations have been implemented**, by means of a report drawn up by the Board of Directors (i.e. this document), specifying whether and how the obligations have been complied with. The auditing firm also expresses an opinion on this report (through a so-called "negative assurance").

Exemptions from the duty of care and reporting are also provided for: i) with regard to 3TG minerals and metals, if the annual import and processing volumes of these are below the threshold level (Art. 4 and Schedule 1 DDTro); ii) with regard to child labour, if the company is small/medium-sized (Art. 6 DDTro) or low-risk (cf. Art. 7 DDTro) or if it follows internationally recognised and equivalent standards (Art. 8 DDTro).

## 2. The structure and business of IBSA Group

The parent company is IBSA Institut Biochimique SA, with registered office in Lugano. The company has 20 subsidiaries in Europe, China and the United States. IBSA products are manufactured in Switzerland and Italy.

The main therapeutic areas are: reproductive medicine, endocrinology, pain and inflammation, osteoarticular, aesthetic medicine, dermatology, uro-gynecology, cardiometabolic, respiratory, consumer health.

## 3. Supply Chain Due Diligence

In order to fulfil the obligations imposed by the DDTro, IBSA has initiated a structured process with the following characteristics:

- the creation of a team within the Supply Chain, supported by the ESG and Legal & Compliance functions, dedicated to risk mapping and due diligence activities;

- the adoption and dissemination of a Supplier Code of Conduct, with the aim of guiding the entire supply chain in the process of implementing the highest ethical, social, environmental and corporate governance standards;
- the provision of specific contractual clauses requiring suppliers to comply with the aforementioned Code of Conduct and the principles referred to therein;
- the implementation of tools and processes to map the supply chain and identify and assess risks and negative impacts;
- the establishment of a risk management plan to remedy identified risks and negative impacts and to establish a schedule of measures to be taken with high-risk or non-compliant suppliers, in order to encourage them to change their practices;
- the provision of a process for disengagement from suppliers in the event that the entity does not actively contribute to further improving compliance;
- the establishment of an internal reporting mechanism to keep Senior Management up to date on due diligence efforts and the results obtained;
- the establishment of a grievance and whistleblowing mechanism, which allows anyone with concerns and/or knowledge of violations on the issues in question to inform IBSA, including anonymously;
- the provision of an adequate response to customer enquiries (IBSA also acts as a CDMO, i.e. *contract development manufacturing organization*);
- disclosing regular reports on IBSA's due diligence policies and practices to stakeholders and the public;
- establishing an ongoing review to improve, adapt and develop the due diligence process, ensuring compliance with applicable regulations and codes;

## **4. Supply chain mapping and findings**

### 4.1 Supply chain mapping

#### *A) Minerals and metals from conflict or high-risk areas*

IBSA has undertaken a reasonable and documented due diligence process, as suggested by the Organisation for Economic Co-operation and Development (OECD) guidelines, to determine the use, country of origin and source of 3TG minerals and metals in IBSA's global product portfolio, in the pharmaceutical, medical device, food supplement and cosmetics sectors.

The Purchasing Department performs the above-mentioned verification annually, using the specific material tariff numbers listed in Annex 1 of the DDTro.

### *B) Child labour*

To assess the risk of child labour in the countries where its suppliers are based, IBSA uses UNICEF Children's Rights in the Workplace. Criteria have also been defined to prioritise its risk mitigation action, which takes the form of requesting the compilation of self-declarations (Vitals platform), scorecards (Ecovadis rating), and the possible scheduling of on-site audits.

#### 4.2 The findings

##### *A) Minerals and metals from conflict or high-risk areas*

**IBSA does not import or process any of the 3TG minerals and metals into the group's sites.**

**Therefore, IBSA is not subject to any due diligence or reporting obligations in accordance with Article 4 of the DDTro.**

IBSA relies on the cooperation of its suppliers for the implementation of the obligations contained in the Supplier Code of Conduct in relation to the above-mentioned regulations.

Where applicable, IBSA requires suppliers to provide the necessary information regarding the potential use and source of minerals and metals from conflict and high-risk areas in all products supplied. Such suppliers are expected to establish their own policies and procedures regarding 3TG metals and minerals and to make these available to IBSA upon request. Finally, the right is reserved to verify any information received from suppliers.

### *B) Child labour*

The child labour risk assessment, using UNICEF Children's Rights in the Workplace, returned the following.

Based on information provided by suppliers on the country of origin, **IBSA does not work with suppliers from critical countries and does not source materials/services from critical countries (Children's rights in the workplace classification - Index: "Heightened")**. In total, 96% of the materials/services come from countries with only a low level of exposure to the risk of child labour ("*Basic*" classification). The remaining 4% come from countries where the risk of child labour is enhanced ("*Enhanced*" classification). For these suppliers, further checks are carried out to determine the actual risk of human rights violations (self-declarations, Ecovadis rating request, onsite audits) and to prioritise possible corrective actions. This information is reviewed and updated on an annual basis.