Vital Healthcare

Supply Chain Integrity Policy

Vital Healthcare Group

Finding Your Way Around

Introduction

Vital Healthcare and Vital Healthcare Group businesses buy, sell and manufacture large volumes and a wide variety of products every year. Building long-term, mutually-beneficial, partnerships with suppliers and customer channels is crucial to our success.

This policy applies in all cases where

- We are acting as a distributor of the supplier's products;
- The supplier is supplying products for sale under one of our own brands;
- We are purchasing raw materials for use in manufacturing; or
- We are selling products to distributors, customers or consumers.

In every case, it is essential that our suppliers and third parties that we use to procure and sell our products are able to meet the legal and ethical standards that we expect – and that, in many cases, the law requires

Those standards can be varied and complex. However, they fall into two broad areas:

- Product Quality: Are the products we sell safe and do they meet applicable manufacturing, environmental and labelling standards?
- Supplier Integrity: Even if the products are safe and compliant, have illegal or unethical business methods, such as bribery, exploitation of employees, slavery, unsafe working practices, or a breach of trade controls been used in their manufacture or transport?

This Supply Chain Integrity Policy sets out how businesses across the Vital Healthcare Group should address these issues. It is designed to ensure that we manage our legal and ethical obligations in an efficient and effective manner. It is also designed to be flexible enough to reflect the wide range of activities that take place across the Group.

The advantage of having efficient and effective controls in this area are numerous. We can be confident that we are meeting our legal obligations. But it also allows us to strengthen the supplier and customer relationships that are so important to our business, and our business partners.

The directors of each Vital Healthcare/Vital Healthcare Group business is responsible for ensuring that the requirements of this Policy are met in all areas of their activities.

Compliance Principles

Our Code of Conduct is based on the simple principle that, across the Vital Healthcare Group, in everything we do, we must Do the Right Thing.

This means that we comply with all the legal and regulatory standards that apply to our activities. But it also means more: we will always aim to follow best practice and to act fairly in whatever we are doing.

We each have the obligation to:

Do the Right Thing

- We must Do the Right Thing every day.
- We follow the laws and internal policies and procedures that apply to our jobs.
- We ensure that out actions are consistence with best practice and our own values.
- We take responsibility for our decisions.

Know Our Stuff

- We know this Policy.
- We know other laws and internal policies and procedures that apply to our jobs.

Stop & Ask

If we are not sure how to Do the Right Thing, we Stop and Ask. We can always ask for advice from our line manager, management or HR in our business, or the legal team.

Raise a Concern

We must Raise a Concern if we think that something wrong or illegal is happening in our business.

When does this policy apply?

This Policy applies to every business in Vital Healthcare Group. The directors and managers of each Vital Healthcare Group business must ensure that this Policy is followed by that business, and its employees, in every area of its activities.

What happens if this policy is not followed?

A deliberate or negligent failure by a director or manager of any Vital Healthcare Group business to comply with this Policy may result in disciplinary action, up to and including dismissal. A failure by any employee to follow any policy or procedure in their Group business that has been implemented to comply with this Policy may also result in disciplinary action, up to an including dismissal.

How does this policy relate to our Vital Healthcare Group policies?

This Policy adds detail to the "We Ensure Product Quality, Supplier Integrity and Human Rights" section of our Code of Conduct.

This Policy sits alongside and is complementary to other policies, including our Human Rights Policy, Anti-Bribery & Corruption Policy, Health & Safety Policy, and Data Protection Policy. Our Anti-Bribery & Corruption Policy also contains sections on carrying out checks on third parties before we deal with them and on doing business in high-risk countries.

What is covered by this policy?

This Policy sets out the general position of Vital Healthcare Group in relation to the integrity of the products sold by our businesses. The Policy then sets out specific steps that must be taken by Vital Healthcare Group businesses in respect of their upstream and downstream supply chains in the following areas:

1. Product Quality & Supplier Integrity (including human rights) Risk Assessments
2. Product Quality Controls
3. Supply Chain Integrity Controls
4. Keeping Records

In each of these areas, this Policy sets out minimum requirements and guidance on how to meet those. The 'What is Required?' sections of this Policy are compulsory. It is not compulsory to follow the "Guidance" sections of this Policy.

What areas are not covered?

When putting in place relationships with new suppliers or other third parties in their upstream or downstream supply chains, Vital Healthcare Group businesses should ensure that a suitable contract is signed and that appropriate insurance for material risks (such as product liability) is in place. This Policy makes reference to contractual and insurance issues, but they are not addressed directly by this Policy.

Group Supply Chain Integrity Policy Statement

Vital Healthcare Group is committed to ensuring that all of the products sold by our businesses are safe and compliant with applicable legal and regulatory standards. Vital Healthcare Group supports internationally-recognised human rights standards including the United Nations Universal Declaration of Human Rights, the United Nations Guiding Principles on Business and Human Rights, and the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work. Additionally, this policy has been drawn up in alignment with the Vital Healthcare Group's Anti-Bribery & Corruption Policy which supports the aims and intentions of the United Nations Convention against Corruption (UNCAC).

Vital Healthcare Group is also committed to ensuring, as far as predictable, that the products bought and sold by our businesses are manufactured and transported without any:

- Bribery or any other forms of corrupt practice;
- Failure to comply with environmental protection and product conformity laws;
- Exploitation of workers;
- Abuse of human rights including, but not only, through slavery and human trafficking;
- Unsafe working practices;
- Animal welfare infringements;
- Breach of applicable trade sanctions or export control laws;
- Money laundering and terrorist financing;
- Fraud;
- Failure to comply with applicable tax laws;
- Failure to comply with applicable data protection and privacy laws.

Our policy on these issues is reflected in our Supply Chain Integrity Code of Practice and which sets out the standards that we ask all our third party partners, including our suppliers, to follow.

1. Product Quality & Supplier Integrity Risk Assessment

Why is this important?

- Product quality and supply chain integrity risk assessments are crucial to ensure that we partner with the right third parties and have reliable, safe products.
- These assessments help identify potential risks early, enabling companies to take proactive measures to mitigate issues, maintain customer trust, and ensure compliance with regulatory standards.

What's required?

Every Vital Healthcare Group business must have in place and follow a suitable written risk assessment process covering both the product quality and supply chain integrity risks created by its supplier and customer relationships, including the risk to internationally recognised human rights standards.

We must consider not only our immediate suppliers (the parties who sell to us products) but also suppliers further up the supply chain, where they are relevant to the quality or integrity of the products we sell, or the human rights considerations in the supply chain.

Every Vital Healthcare Group business must use its risk assessment to determine the product quality and supply chain integrity controls it puts in place under sections 2 and 3 of this Policy, including ongoing monitoring which is covered in more detail in section 3.

Daily Kroll checks are required for medium and high-risk third parties for sanctions compliance.

Guidance

- The process that is required by this section should not be more detailed than necessary. A Vital Healthcare Group business that purchases only low-risk products from low-risk suppliers and sells in low-risk jurisdictions does not need to carry out very complex risk assessments. On the other hand, a Vital Healthcare Group business that buys or sells high-risk products from, or in, medium-risk or high-risk jurisdictions will need more detailed processes and greater expertise to assess and manage its supply chain risks, including the use of third-party tools. As part of the risk assessment, due diligence and controls, we should take appropriate account of the reliance on, or materiality of, that third party to the business.
- If a third party is appointed, each Vital Healthcare Group business must have procedures in place to monitor the ongoing compliance by the third party with the standards we expect. This may include asking the third party to confirm that it has complied with the Group business's supplier code of practice, undertaking an audit and running sanctions and background checks.

2. Product Quality Controls

Why is this important?

- Product quality controls are essential to ensuring that products meet and conform with required legal standards.
- This increases the likelihood of customer satisfaction and lowers the risk of product defects and product quality issues.

What's required?

Every Vital Healthcare Group business must have in place suitable policies and procedures to ensure that each product it sells is:

- Safe for the purpose for which it will be used.
- Compliant with applicable legal and regulatory standards in each country where it will be sold.
- Where required, either legally or because of customer requirements, certified for conformity (e.g. CE certification in the European Union (EU)).

If we import a product for sale, we must carry out checks to confirm that the product conforms with applicable quality and, where they exist, certification standards, as we will be considered the manufacturer in many countries

Guidance

- Contracts with suppliers should make clear that it is the supplier's responsibility to ensure that all products supplied to the Vital Healthcare Group business are safe, compliant with applicable legal and regulatory standards in the country where they are to be sold, and appropriately certified. Complete and accurate records of conformity and safety must be provided by suppliers to the Vital Healthcare Group business concerning all products purchased.

3. Supply Chain Integrity Controls

Why is this important?

- Supply chain integrity controls help ensure that we use upstream and downstream supply chains that adhere to legal and ethical standards and provide quality products in the right way.
- These controls also help ensure that we are doing what is required when we sell to our customers, including our appointed distributors and in turn, helps protect our business from legal and reputational risks.
- Supply chain integrity controls are intended to capture material compliance risks such as human rights and sanctions compliance.

What's required?

Every Vital Healthcare Group business must have a third party code of practice setting out the minimum standards of integrity that it expects its suppliers and relevant third parties, such as its distributors, to meet.

Every Vital Healthcare Group business must request its high- and medium-risk third parties to confirm that they will adhere to the standards set out in the third party code of practice. If we determine that we will rely on the third party's own standards, we must ensure that they are no less robust, and that this reliance is recorded.

Every Vital Healthcare Group business must assess the integrity risk and controls maintained by its high- and medium-risk third parties before they are appointed and carry out compliance checks. High and medium-risk third parties must be subject to a daily compliance check via Kroll.

If a third-party does not have suitable integrity controls in place, the Vital Healthcare Group business must decide if it can assist that third party in improving its controls or not, and whether an appropriate plan can be put in place.

We must also assess any sanctions or export controls issues before we sell products to a customer, and ensure that appropriate checks are completed in respect of any relevant customers or products.

We must never sell products or services to a third party if there is any concern that we may not be complying with our legal obligations.

We must always follow the Vital Healthcare IT Security Policy when dealing with third parties, including reviewing compliance by third party service providers with good IT security practices.

Example

Q: We have received a notification from Kroll in relation to a long-standing supplier who we have traded with for years. Is this something to be worried about?

A: We should always check any due diligence notification received and ensure that we can justify continuing to trade with that supplier. You must contact your legal team if you have any questions about the results.

4. Keeping Records

Why is this important?

- Records provide evidence of the steps we have taken to ensure compliance with our legal and regulatory obligations.
- It helps traceability and accountability, and documents how Vital Healthcare Group businesses have considered and appropriately responded to risk assessments.

What's required?

Each Vital Healthcare Group business must maintain technical files and other relevant records to enable it to demonstrate that it has complied with this Policy, including suitable ongoing monitoring. Records maintained under this Policy must be kept for at least seven years from the last date on which a product is sold, unless there is a legal requirement to maintain them for a different period.

We must at all times comply with medical devices and pharmaceutical record keeping regulations.

Example

Q: We use a third party to do product assessments and supplier integrity checks. Do I need to ask them to keep records to show that these checks have been done?

A: Yes. You should ensure that appropriate checks are undertaken and documented. If you have any questions about the results, they will also likely be able to assist.

Schedule 1

Example risk assessment process

In this sample risk assessment:

A High-Risk Product is one where:

- We will be the importer or manufacturer; and
- If the product is not properly manufactured, transported, or stored, it is likely to be unsafe.

A Medium-Risk Product is one where:

- We will be the importer; and
- The product is unlikely to be unsafe, even if not properly manufactured or stored.

A Low-Risk Product is one where:

- The product is unlikely to be unsafe, even if not properly manufactured or stored.

A High-Risk Supplier is one that:

- Is located in a country where corruption is a serious problem as per the Corruption Perceptions Index or equivalent, or where employment rights or human rights are not properly enforced as per the Human Freedom Index, Global Slavery Index or equivalent (a 'high-risk country'), or where the third party is located in or linked to a sanctioned country; or
- Has sold unsafe or otherwise non-compliant products within the last three years. This can be checked on the European Rapid Alert system for dangerous products (RAPEX), the US Product Safety Commission, and other relevant national registers for product safety.

A Medium-Risk Supplier is one that:

- Is located in a high-risk country.

A Low-Risk Supplier is one that:

- Is an established domestic supplier that is physically supplying the product from within the same country as the buying business.

	Low Risk Supplier	Medium Risk Supplier	High Risk Supplier
High Risk Product			
Medium Risk Product			
Low Risk Product			

Suitable clauses on product safety and supplier integrity are included in the contract. These will confirm:

- That all products supplied will be safe and will comply with applicable legal and regulatory standards in the countries where they will be sold; and
- That the supplier will adhere to our supplier code of conduct.

- Supplier completes suitable questionnaire before being appointed.
- Suitable background checks are done on the supplier.
- A suitable sample of products and certification paperwork is assessed.
- Suitable contract clauses are included are outlined above.
- A programme for ongoing monitoring of the supplier is put in place.

- The steps listed above for a medium risk are taken.
- In addition, the supplier's site is audited.
- A more extensive sample of products and certification paperwork is assessed.
- Suitable contract clauses are included as outlined above.
- A programme for ongoing monitoring of the supplier is put in place as outlined above.

Schedule 2

Case study no. 1

A business in the Vital Healthcare Group wants to appoint a supplier of raw material, a component in a medical device. The manufacturer is located in North Africa.

Stage 1: Initial Risk Assessment

The raw material is being imported from outside the EU and could be unsafe if not properly manufactured, stored or transported. This means it is a high-risk product according to the risk assessment process used by the Vital Healthcare Group business.

The supplier is located in a country where employment conditions and respect for human rights are not as strong as per the Forced Labour Index, and so is a high-risk supplier, according to the same risk assessment process.

Stage 2: Checks & Testing

The Vital Healthcare Group business sends its standard form questionnaire to the supplier, covering relevant product quality and supplier integrity issues. The supplier completes and returns this questionnaire. Its response indicates that it has strong product quality controls in place. However, it does not have any controls to ensure that it only buys the raw material from sustainable sources.

At the same time as this questionnaire is being assessed, a background check is carried out on the supplier. This shows that the supplier has been criticised by a number of charities and non-governmental organisations (NGOs) for exploiting the suppliers it buys from.

In addition, the Vital Healthcare Group business carries out its own testing on a sample of the raw material. This testing confirms that the product is of a high standard.

Stage 3: Discussions with the Supplier

The Vital Healthcare Group business discusses the issues identified at Stage 2 with the supplier. The supplier confirms it is putting in place controls to ensure that it only buys raw materials from sustainable sources, partly because of the criticism it has received. The supplier advises that it will be fully certified within six months.

Stage 4: Decision on Appointment of Supplier

The Vital Healthcare Group business decides that it will appoint the supplier once the supplier has achieved appropriate certification. As part of the ongoing monitoring of risks posed by the supplier, the Vital Healthcare Group business will ensure that the supplier is subject to daily due diligence monitoring on Kroll, and that an annual risk assessment is carried out, including all steps taken in Stage 2 and Stage 3 outlined above

Case study no. 2

A business in the Vital Healthcare Group wants to act as a distributor for a new medical device supplier. The supplier is located in the US. The Vital Healthcare Group will be purchasing directly from them. This means that it will be the importer of products into the EU.

Stage 1: Initial Risk Assessment

The product being bought is a medium-risk product under the risk assessment process operated by the Vital Healthcare Group business because, although it is unlikely to be unsafe, it needs to comply with European medical device safety and conformity standards and be certified to be sold in the EU. Because the supplier is located in the USA, it is a low-risk supplier.

Stage 2: Checks & Testing

The Vital Healthcare Group business asks the US supplier to provide the technical file, which includes testing and conformity documentation, to confirm that the medical devices conform to EU medical devices regulations and product safety and technical standards. A sample of the product and packaging is also checked for EU labelling and CE marking requirements.

At the same time, the Vital Healthcare Group business asks the US supplier to complete its standard form questionnaire on supplier integrity issues. It also has a background check done on the supplier. These indicate that the US supplier has strong controls in place in this area and has not been subject to any regulatory investigations or adverse media coverage.

Stage 3: Appointment of the Supplier

A contract is agreed with the supplier which appoints the Vital Healthcare Group business as its distributor. This contains a clause under which the products supplied must all be safe and compliant with EU standards and requires the supplier to adhere to the ethical standards set out in the supplier code of practice that the Vital Healthcare Group business has put in place. A programme for ongoing monitoring of the supplier is put in place.

Stop & Ask

If you have a query about the application of this Policy, please contact any member of your Legal & Compliance team.

Raise a Concern

It's the right thing to do.

If any of us has a concern that something wrong is happening in work, we have a responsibility to Raise a Concern. Doing nothing is not an option. This protects each of us, our business and our stakeholders. You will always be supported for Doing the Right Thing. Retaliation against those who Raise a Concern is not tolerated.

For more information on raising a concern about practices in your business or its value chain, please see the Code of Conduct.

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