

HALEON

The importance of resilient global supply chains

Our Haleon position



Diverse and interconnected supply chains, and supply chain excellence

For Haleon to supply consumer health products globally in a safe, timely, and most cost-effective manner, we rely on a diverse and global supply chain.

We aim for supply chain excellence: designing and implementing solutions so that we can leverage global resources in the best way possible and ensure safe, timely, and cost-effective patient and consumer access. Supply chain excellence involves seamless, end-to-end interactions between different actors that enable the forecasting, development, manufacture, warehousing, purchasing and delivery of the right types and quantities of consumer health products (and ingredients thereof) so they are available to consumers and healthcare providers in the right place, at the right time. Achieving this requires building and maintaining agile, fit-for-purpose supply chains.

While our supply chain teams focus on providing the right products, at the right time, in response to the diverse needs of local consumers around the world, we coordinate our supply chains globally, which supports supply diversity (securing back-up capacity, quality, and continuous learning) and enables us to tailor our supply chains for product diversity (accommodating for different handling, storage, temperature, and transport requirements, for example). This enables us to supply our products in a safe, timely, and cost-effective manner to consumers.

As a purchaser of raw materials, manufactured goods, and services around the world, we strive to conduct business with third-party suppliers, business partners, and collaborators who share our commitment to high ethical standards, and operate in a responsible and ethical manner towards their workers – both directly and indirectly employed - and their own suppliers.

Key principles for public policies on resilient supply chains

During the COVID-19 pandemic, our sector saw the use of trade restrictions to secure local access to medical products, which impacted global coordination and supply chains when they were needed most. These restrictions also threatened consumer access, not only to COVID-19 interventions but to everyday consumer health products. The crisis has caused many governments to reassess their domestic capability – and inherently their reliance on others – to produce health products in times of global emergency. As a result, governments (including the US,

UK, and across Europe) are putting in place policies to onshore supply chains as a means of “national security”.

We believe it is critical that policymakers understand the importance of global, diverse supply chains in meeting the needs of consumers, in normal times and times of crisis, and for governments to avoid putting protectionist policies in place that can compromise our supply chain integrity.

For us, there are six key principles that foster resilient supply chains:

1. **Open borders** protect supply for everyone: our supply chains leverage the best in global

resources to ensure safe, timely and cost-effective consumer access, and are built to respond to surges in demand. In effect, the use of export bans puts a “block” in well-defined supply flows, impacting our ability to receive materials for our own supply chain (including critical Active Pharmaceutical Ingredients, APIs) and impeding our ability to distribute finished products, creating a risk for shortages for everyone, including the country imposing the constraint.

2. **Diversified sourcing** facilitates cost-effective and resilient supply chains.

Sourcing of APIs from low- and middle-income countries is critical to keeping some everyday medicines, such as paracetamol, at cost-effective prices for consumers. We ensure close regulation of API providers through regulator audits (including by the US Food and Drug Administration and the European Medicines Agency) to ensure product safety, and diversification of sourcing contributes to supply chain resiliency.

3. **Strong forecasting** prevents shortages and disruptions of supply chain, even in times of

crisis. For example, good supply performance during the pandemic has reinforced that market-specific stock builds are unnecessary. Instead, well-developed demand forecasting during normal times ensures stability in supply volumes, and creates an informed basis for managing and responding to surges in demand and/or emergency situations.

4. **Global standards** on quality make diverse supply chains possible and effective, and ensure consistency in quality, enabling a diversified and, therefore, a more resilient and cost-effective supply chain.

5. **Regulatory flexibilities and alignment** empower supply chains to operate efficiently. Efficient regulatory pathways, and global alignment among regulatory authorities, should be prioritised. This will support supply chain optimisation and flexibility in supply.

6. Instead of protectionist measures, domestic policy should look to **generate innovation and investment** in local supply chains. We support the following approaches:

- Tax incentives or capital grants which support R&D and manufacturing investment, but do not inappropriately advantage domestic suppliers in subsequent product pricing, reimbursement or tender;
- Movement of people and skills to facilitate the right capabilities in and out of countries to support the different technical areas of the supply chain;
- Strong intellectual property protection to ensure that infringers and counterfeiters do not have an unfair advantage over the innovator and brand owner, undermining the value of brands and patents innovation and reducing the incentive for brand owners to invest further in certain markets where IP protection is lacking; and
- Market access frameworks to ensure timely access to global innovation, and to everyday health products regardless of where the product is produced. Funding, pricing, procurement practices and value assessment frameworks should evaluate the impact of innovation on consumers and not include provisions to advantage domestic suppliers.

*For more information on how we engage policymakers, please see our **position on political advocacy**.*