

abbvie

ABBVIE PURCHASING AND
SUPPLIER MANAGEMENT

SUPPLIER PERFORMANCE PROGRAM

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Without question, supplier relationships have a significant impact on AbbVie's corporate success. AbbVie Purchasing and Supplier Management has established a formal metrics program to drive supplier performance through constant feedback on how a supplier is performing against agreed-upon expectations. Since it is impractical for AbbVie to measure the performance of every supplier in the supply chain, criteria are established to select the subset of suppliers that has the greatest impact on corporate success. Performance monitoring, as described in this booklet, is conducted for this group of suppliers.

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PURPOSE

The AbbVie Purchasing and Supplier Management Supplier Performance Program has been established to:

- Measure the performance of suppliers key to AbbVie's success.
- Monitor supplier performance by tracking key performance indicators (KPIs).
- Recognize suppliers that consistently exhibit characteristics highly valued by AbbVie.

AbbVie's program offers an objective and subjective view of suppliers. It recognizes three distinct supplier categories:

- Direct
- Indirect
- Third Party Manufacturers

SCOPE

This document applies to suppliers of products and services that have a significant impact on AbbVie's enterprise wide business and meet the program selection criteria.



SUPPLIER SELECTION CRITERIA

AbbVie appreciates the contributions of all suppliers and uses a variety of criteria to identify key segments based on certain business needs.

To be eligible, a supplier must meet at least one of the following criteria:

- Meets Minimum spend thresholds
- Provides Critical products or services
- Provides products or services to AbbVie worldwide
- Belongs to a designated Preferred Supplier Network

Unique circumstances may also apply. At their discretion, managers may add or remove suppliers outside of program criteria.



HOW WE MANAGE SUPPLIERS

The supplier relationship is managed by a key AbbVie lead, who is responsible for engaging functional area representatives in evaluating the supplier's overall performance. Subject matter experts from functional areas take part in analyzing the supplier's performance.

Specific metrics for suppliers are outlined in the following pages. Since some suppliers may supply to both direct and indirect categories, the predominant spend category is used. Data from the secondary group are provided in the overall supplier measurement process.

In all cases, suppliers selected for inclusion in the Supplier Performance Program are required to review and sign AbbVie's Supplier Code of Conduct.



KEY SUPPLIER ATTRIBUTES CONSIDERED

In addition to supplier selection criteria, AbbVie also considers attributes that align with our values when managing supplier performance:

- Quality performance
- Compliance performance
- Delivery performance
- Social responsibility audit status
- Supplier diversity program in place
- Price leadership
- Innovation
- Flexibility
- Customer service
- Technical complexity
- Contract status
- Invoice accuracy
- Electronic invoicing
- Payment days
- Financial rating
- Risk analysis



DIRECT SUPPLIER PROGRAM

Direct suppliers provide materials that are used in the production of AbbVie products, such as raw materials, packaging, components and parts that affect the value of the finished product.

PERFORMANCE MANAGEMENT

- Objective measures
- Stakeholder surveys
- Goal performance

Objective measures include quality and delivery performance. Performance is also based on survey feedback from key stakeholders covering the areas of service, process improvement, innovation and cost effectiveness. Details are outlined in the All Program Elements section of this booklet.

For the new program year, the AbbVie lead collaborates with the supplier and sets additional goals that align with AbbVie's business needs. These include projects that will add value beyond the KPIs identified above.

The AbbVie lead discusses and determines all suitable objective measures needed to accurately assess a supplier's performance.

OBJECTIVE MEASURES

1. Delivery Performance

The Delivery Performance rating measures the supplier's ability to consistently meet delivery dates, and requested quantities. A delivery is considered "On Time" if it is received no more than 5 days early and no days late AND the delivered quantity is +/- 5% of the ordered quantity. The delivery scoring methodology is noted below.

Formula

Raw Delivery Score = On Time Deliveries divided by Total expected deliveries.

Duration Delivery Score = (Raw Delivery Score) – Duration Delay Penalties (1-5 points)

Impact Delivery Score = (Duration Delivery Score) - (Cause Code Penalties and Production Impact Penalties) (1 to 35 points)



A standard point scale is used in the Delivery Performance category. The maximum points for Delivery Performance is 100.

2. Quality Performance

The Quality rating measures a supplier's ability to manufacture product meeting AbbVie's quality specifications. Detailed quality metrics are reviewed with the supplier at program launch and in subsequent business reviews. Selected suppliers also receive monthly scorecard updates..

Typical incoming quality acceptance (IQA) metrics are described below:

Formula

Incoming Quality Score = Abbvie lots accepted divided by AbbVie lots tested

Quality Exception Score = 100 – (Exception Report Impact Level)

Impact Quality Score = (Incoming Quality Score) – (100 – Quality Exception Score)

Exception Reports (ERs)

The number of ERs and the reasons for rejection are tracked and reported monthly.

Consideration is also given to audit status at all sites with which the supplier interacts, as well as to regulatory issues and customer complaints.



At a minimum, suppliers must achieve:

- An IQA acceptance rate of 98 percent or better.
- A satisfactory supplier audit rating.

A standard point scale is used in the Quality category scoring with points ranging from 0 to 100.

3. Compliance Performance

The Compliance Score measures supplier responsiveness. There are four components to the Compliance Score: CAPA responsiveness, critical observations, audit refusals, and quality questionnaires.

- *The CAPA Penalty = 2 point penalty assigned for every 7 days past. Max assessment is 100.*
- *The Critical Observation Penalty = 60 Point penalty for each critical observation.*
- *The Audit Refusal Penalty = 50 point penalty for each audit refusal.*
- *The Quality Questionnaire Penalty = 3 points for every 30 days. Max assessment is 100.*

The formula for the Compliance Score is below.

Compliance Score = 100 – (CAPA Penalty) – (Critical Observation Penalty) – (Audit Refusal Penalty) – (QQ Penalty)

4. Overall Performance Score

Suppliers are also given an Overall Performance Score which combines all previously described scores in a weighted measure.

The formula for the Overall Performance Score is below:

Overall Performance Score = (Impact Delivery Score x .4) + (Impact Quality Score x .5) + (Compliance Score x .1)



THIRD PARTY MANUFACTURERS (TPMs) PROGRAM

Inclusion in this program is based on metrics established by Guidance documents, which align with the Supplier Performance Program

CONSIDERATION FOR PROGRAM

To be considered for this program, a TPM must be under contract with AbbVie and produce product for the global market.

METRICS

TPMs are evaluated by the metrics established in the Guidance documents under the categories of quality, service, financial, innovation and technology. The relevant functional area collects metrics and feedback throughout the calendar year. An update is provided during business reviews.

SCORECARD

During the 12-month calendar year, TPMs are evaluated and awarded points, based upon their performance against the metrics, as well as executive management feedback, peer comparison and feedback from functional areas, as appropriate.

In accordance with the AbbVie Purchasing and Supplier Management Supplier Performance Program, no TPM can receive more than 100 points. Points are assigned to each category under review by the functional area managing the TPM relationship.

Scorecards are shared with TPMs during the first quarter of the year, following the evaluation year.

INDIRECT SUPPLIER PROGRAM

Indirect suppliers provide AbbVie with goods and services ranging from standardized items, like lab equipment, office supplies, premiums or MRO (maintenance, repair and operations) materials, to complex and costly products and services, like heavy equipment, consulting services and information technology.

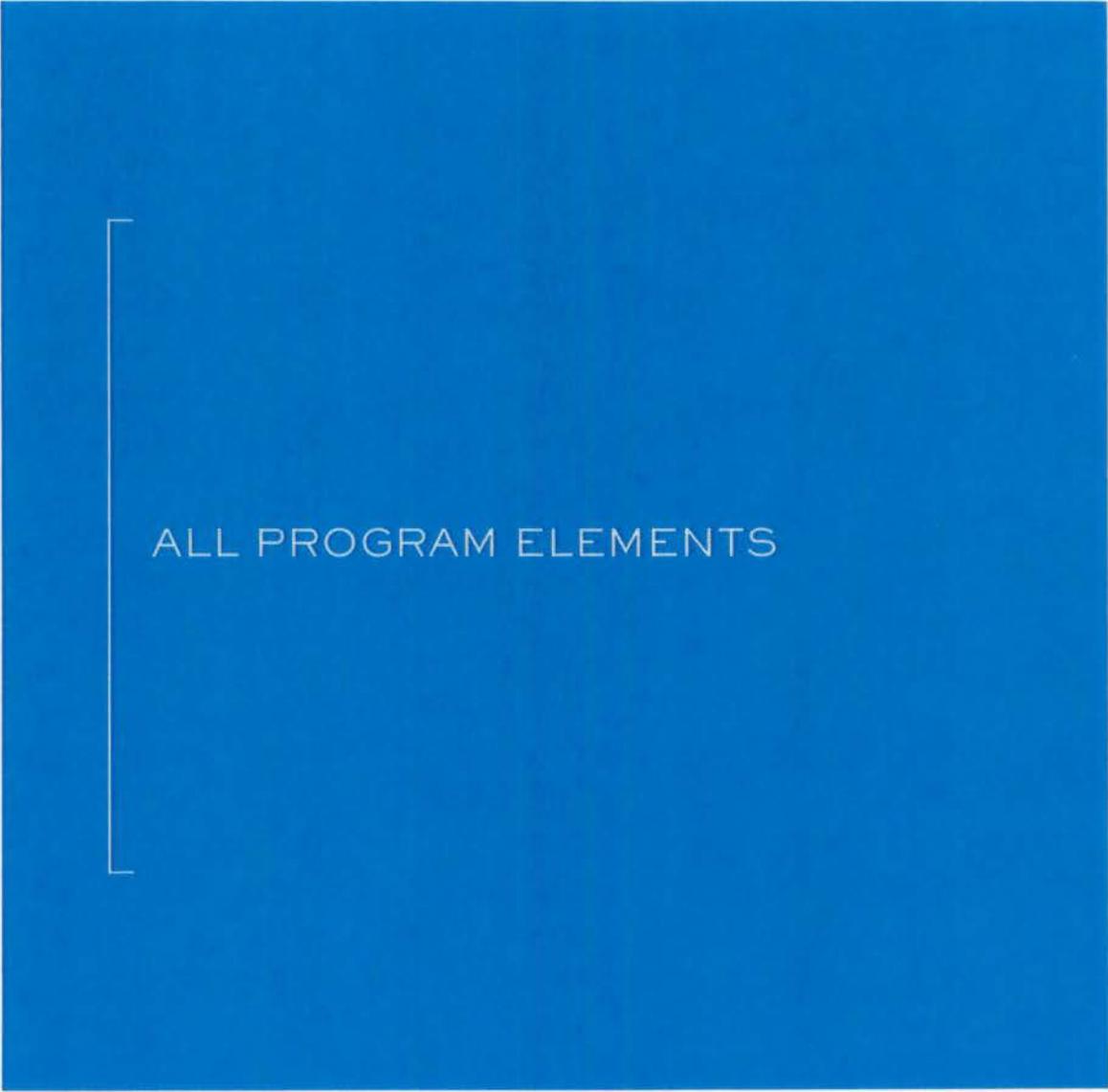
PERFORMANCE MANAGEMENT

- Objective measures
- Stakeholder surveys
- Goal performance

Primary objective measures for indirect supplier's center around contractual Service Level Agreements (SLAs), quality of product or service, delivery levels, and customer service. Additionally, suppliers are measured based on survey feedback from key AbbVie stakeholders covering the areas of service, process improvement, innovation and cost effectiveness. Details are outlined in the All Program Elements section of this booklet.

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ALL PROGRAM ELEMENTS

STAKEHOLDER SURVEY

The core supplier performance team establishes a general survey questionnaire that covers the categories of service, process improvement, innovation and cost effectiveness. This standard survey is sent to key AbbVie employees, who regularly interact with the supplier throughout the reporting year. Feedback is gathered from this broad cross-section of stakeholders, which may include the following:

- Administrative Services
- Commercial Services
- Engineering
- Environment, Health Safety and Energy
- Finance
- Human Resources
- Information Technology (IT)
- Manufacturing
- Marketing
- Materials Management/ Planning
- Science and Technology (S&T)
- Public Affairs
- Purchasing
- Quality
- Regulatory
- Research and Development
- Supply Chain

The results are reviewed with the supplier during Business Reviews.

GOALS

As mentioned in earlier sections, goals are established collaboratively with program suppliers at the beginning of each year. The goals reflect common KPIs, as well as specific projects undertaken to help AbbVie achieve its business goals. A minimum of three joint goals are identified for the reporting year.

Projects are considered goals and are measured based on level of complexity, benefit to AbbVie and implementation levels achieved. The AbbVie lead determines the fair weight to assign to each goal that will be monitored throughout the year.

OPERATIONAL BUSINESS REVIEWS

Business review meetings are held with the AbbVie lead, AbbVie key functional area representatives and the supplier. Frequency of meetings is determined based on business need, but meetings are typically held quarterly.

Meetings will focus on:

- Supplier performance on KPIs
- Review of supplier and AbbVie business operations
- Updates on opportunities and issues
- Project reviews
- Functional area updates (where applicable)
- Progress on goal achievement
- YTD scorecard

DATA COLLECTION

At year-end, the final results for the KPIs and goals are calculated using data compiled from all functional areas to present an overall corporate view of the supplier's performance. In some instances, data may be weighted differently, based on importance to a functional area or site.



SUPPLIER RECOGNITION

The Triumph Awards is a supplier recognition program honoring suppliers who achieve optimum performance by raising the standard of excellence within AbbVie.

TRIUMPH AWARD

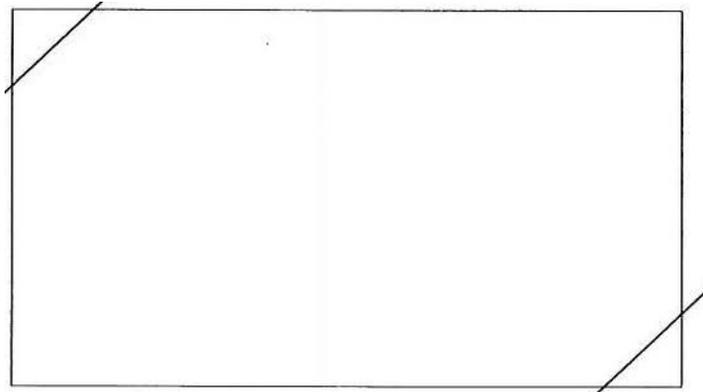
This prestigious supplier award recognizes and commends exemplary supplier performance that has contributed to AbbVie's success and ability to serve patients.

To be eligible for this award, a supplier must:

- Be nominated by an AbbVie employee
- Have a current contract with AbbVie
- Participate in AbbVie's Supplier Relationship Management program, if invited
- Consistently meet or exceed all Service Level Agreements (SLAs), quality levels, deliverables and other performance expectations
- Have no significant noted performance issues in the prior 12 months

For more information, please click here:

<http://www.abbvie.com/content/abbviecorp/us/en/desktop/responsibility/supplier-recognition-program.html>



Please contact your AbbVie lead if you have any questions or comments about the AbbVie Purchasing and Supplier Management Supplier Performance Program.

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