



Supply Chain Performance Program Instructions



REVISION CHANGE HISTORY

VERSION #	CHANGES
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I. General Instructions

As the nation’s largest pharmacy innovation company, CVS Health is committed to helping people on their path to better health. To do so, we are focused on ensuring that our supply chain is operating at the highest level of effectiveness and efficiency to provide our customers and patients with a superior shopping experience. Our Supply Chain Performance Program is a critical component to achieving our customer service objectives and remaining competitive in the industry.

The CVS Supply Chain Performance programs are being facilitated through a vendor portal designed to support the facilitation of our full suite of performance programs. As of the date of the issuance of this guide, the portal is being used to facilitate our On Time and In Full Performance (OTIF) program. Throughout the remainder of 2018, the Supply Chain Performance team will continue building out the portal to support the remaining Supply Chain Performance programs. *As such, any review, monitoring and tracking of performance data and facilitation of the dispute process should be handled in the Vendor Portal for OTIF only at this time.* There are no changes to for the remainder of our Supply Chain Performance programs, which are described in detail throughout this guide. As the remainder of our programs are being added to our vendor portal, the Supply Chain Performance team will communicate to the vendor community in a timely manner.

Please contact SupplyChainPerformance@CVSHealth.com for access requests to the vendor portal. Please fill out the following section and paste into the e-mail body of your request.

COMPANY NAME: _____

COMPANY VENDOR NUMBER(S): _____

CONTACT NAME: _____

EMAIL ADDRESS _____

PHONE (OPTIONAL): _____

For questions regarding the CVS Health Supply Chain Performance Program or accessing the portal, please reach out to SupplyChainPerformance@CVSHealth.com. Please note the performance portal includes a full library of help documents and videos which can be accessed through the “Self Help” menu located at the top right of the window.

II. Supply Chain Performance Program Description

Precise care and planning was taken when designing the overall CVS Supply Chain Performance Program parameters to ensure fairness to the vendor community while maintaining adequate levels of accountability throughout the supply chain. All program parameters center on driving vendor behaviors that allow the supply chain to operate at optimal levels.

The following is a comprehensive snapshot of the CVS Supply Chain Performance Program. Each program is described in further detail in the sections that follow.

Performance Metric	Definition	Penalty
On Time and In Full	Measure of ability to delivery product in accordance with the STA date and consistent with original purchase order quantities	Percent of PO cost based on monthly performance (0%, 1.5%, 3.0%)
Appointment Integrity	Measure of ability to honor warehouse delivery appointment(s). Failure triggered by one of the following events (<i>do not include weekends/holidays</i>): <ol style="list-style-type: none"> 1) Arrival beyond one hour of scheduled appointment, 2) Cancellation or Reschedule request with less than 24 hours prior to delivery, or 3) Failure to arrive for scheduled appointment. 	\$275 per chargeable penalty/no max
Bill of Lading	Missing or Inaccurate Bill of Lading	\$100 per load
Packing List	Missing or inaccurate Packing List	\$100 per load
PO Ship-to-Arrive (STA) Date Failure	Failure to maintain a compliance level of 95% or greater (monthly) Prepaid: Compliant POs meet the following criteria: <ol style="list-style-type: none"> 1) A requested delivery date that falls within the 5 day compliance window: on the PO STA date and 4 business days prior to the STA date, and 2) An appointment submit date greater than 48 hrs or 2 business days from the appointment request date Collect: <ol style="list-style-type: none"> 1) Shipping information is submitted in the CVS transportation system at least 72 hours or 3 business days prior to available pickup date, and 2) The available pickup date must meet the minimum required business days prior to the STA date (see section II, subsection B for collect STA Program requirements). 	Monthly/variable \$250 increments Max of \$3,500

Note: The On Time and In Full (OTIF) program is applicable to all purchase orders with an STA date equal to or greater than 7/1/2018. This program supersedes our STA Compliance Program. *Purchase orders received in July with an STA date prior to 7/1/2018 will be subject to STA performance measures, including any penalties for not meeting the performance guidelines outlined herein.*

A. On Time and In Full ("OTIF")

The OTIF program is designed to ensure performance excellence in two CVS performance metrics:

- 1) On Time Deliveries: Purchase order deliveries consistent with purchase order Ship-to-Arrive dates, and
- 2) Purchase Order Fill Rate (In Full): Purchase order delivery consistent with original purchase order quantities.

Evaluation of Qualifying Receipts

Each individual receipt of merchandise ordered on a purchase order occurring within *five business days* of the *initial or first receipt* is evaluated for OTIF. Once the population of receipts is determined, each receipt is evaluated to determine qualification for inclusion in the OTIF assessment. *Qualifying receipts are defined as receipts meeting the On Time requirements of the OTIF program.*

Note> Purchase orders are evaluated for OTIF ten calendar days after the initial or first receipt on the purchase order.

Exhibit: Illustration of qualifying receipts evaluated for OTIF

July						
Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
1	2 AD*	3 AD	4 X	5 AD	6 AD	7 X
8 X	9 AD	10	11	12 OA	13	14
15	16	17	18	19	20	21

*First Receipt – 7/2

AD – Assessment Day – Receipts recorded locally at the CVS distribution center included in assessment

OA – OTIF Assessment (10 calendar days after initial or first receipt)

X – Non Business day (Holiday or Weekend)

OTIF Requirements - On Time Requirements

As stated above, once the population of receipts is determined, each receipt is evaluated to determine qualification for inclusion in the OTIF assessment. *Qualifying receipts are defined as receipts meeting the On Time requirements of the OTIF program.*

The On Time requirements for the CVS OTIF program vary based on vendor freight terms (Prepaid or Vendor Managed Freight, Collect or CVS Managed Freight and Backhaul).

Prepaid/Vendor Managed Freight

Purchase orders shipped under prepaid or vendor managed freight terms must meet the following requirements in order to be compliant with the On Time requirements:

1. Purchase Order arrives on or before the STA date, *or*
2. A requested delivery date that falls within a 5 business day compliance window (PO STA date or 4 business days prior).
 - a. The requested delivery date is defined as the date in which the carrier or vendor requested to deliver the merchandise to the corresponding DC as tracked in the CVS eAppointment scheduling portal.
 - b. For more information about the portal, please see section **IV. Deliveries**, subsection **C. Scheduling** found in the CVS Routing Guide Instructions located at www.cvssuppliers.com/logistics.

The following are illustrative examples to demonstrate the application of these program parameters.

Example 1:

STA Date	First Request	First App Appnt	Second Request	Trailer Arrival Date	Conclusion
7/2/2018	7/2/2018	7/2/2018	N/A	7/2/2018	Compliant

Trailer carrying purchase order arrived at destination warehouse on the STA date.

Example 2:

STA Date	First Request	First App Appnt	Second Request	Trailer Arrival Date	Conclusion
7/2/2018	7/2/2018	7/2/2018	7/5/2018	7/5/2018	Non Compliant

In this example, the carrier/vendor initially requested delivery within the five day compliant window. CVS provided an appointment within the complaint window. However the carrier/vendor submitted a second delivery request, outside the compliant window. This purchase order is held accountable to the second delivery request **because the DC's approved appointment fell within the compliant window.**

Example 3:

STA Date	First Request	First App Appnt	Second Request	Trailer Arrival Date	Conclusion
7/2/2018	7/2/2018	7/3/2018	7/5/2018	7/5/2018	Compliant

In this example, the carrier/vendor initially requested delivery within the five day compliant window however CVS provided an appointment outside the complaint window. **As the CVS approved appointment is outside the compliant window, this purchase order will not be held accountable to any subsequent delivery requests by the carrier/vendor regardless of adherence to the program requirements.**

Collect/CVS Managed Freight

Vendors shipping merchandise under Collect/CVS Managed freight terms must enter their loads in the CVS Collect Routing Web Portal and must follow the Collect Routing Instructions outlined below in order to meet the On Time requirements of the OTIF program. *These vendors are not accountable for the performance of CVS carriers.* Performance is based solely on entering shipments into the CVS Collect Routing Web Portal consistent with the standards below.

For more information about the CVS Collect/CVS Managed Freight routing instructions, please see section **I. Collect Freight Routing Instructions**, found in the CVS Routing Guide Instructions located at www.cvssuppliers.com/logistics. For questions regarding access to the portal, please contact CVSOrders@CVSCaremark.com.

System Entry Timing and Freight Availability:

a. Notification:

Shipping information must be submitted in the CVS Collect Routing Web Portal at least **72 hours/3 business days prior to the Available Pickup Date**. Do not include weekends, holidays or the Available Pickup Date when entering information.

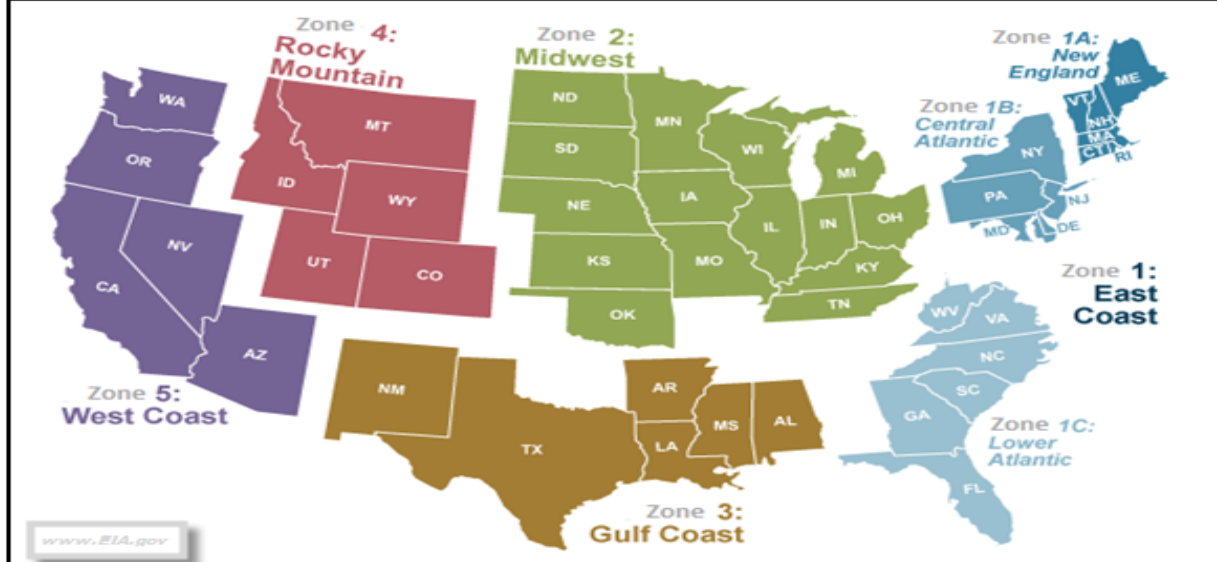
b. Available Pickup Date and Transit Matrix:

Vendors should consider transit times when determining their Available Pickup Date.

It is the Vendor's responsibility to determine an Available Pickup Date that will be compliant with the CVS OTIF program.

The Available Pickup Date must be at least the minimum required business days prior to the Ship to Arrive (STA) Date according to the CVS Transit Matrix below. Do not include weekends, holidays or the STA Date in the calculation.

Transit Matrix								
<p>Use the matrix to determine the minimum business days of freight availability prior to the STA date.</p> <p>For example, a shipment going from CA to RI (Zone 5 to Zone 1A) requires at least 7 business days of availability prior to the STA date.</p>	Minimum Business Days available prior to STA							
	ZONE	1A	1B	1C	2	3	4	5
	1A	3	3	4	4	5	6	7
	1B	3	3	3	4	4	5	6
	1C	4	3	3	4	4	6	7
	2	4	4	4	3	3	4	6
	3	5	4	4	3	3	4	5
	4	6	5	6	4	4	3	4
	5	7	6	7	6	5	4	3



The following is an illustrative example to demonstrate the application of these program parameters.

System Entry Date	Days	Available for Pickup	Days	STA Date	Conclusion
6/18/2018	3	6/22/2018	5	7/2/2018	Compliant

Shipping information is submitted to CVS at least 72 hours prior to available pickup (include business calendar M-F, exclude weekends and holidays),

Ample transit time is provided to CVS to meet the STA date upon pickup (transit times below).
 1) Assume Origin: CA, Destination: TX
 2) Zone 5 to Zone 3 => Required Transit: 5 days

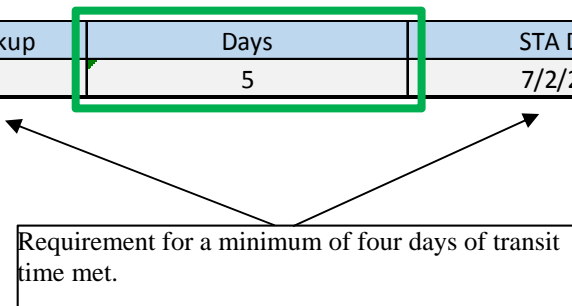
Backhaul

The On Time requirement for Backhaul shipments is very similar to the requirements for vendors shipping merchandise under Collect/CVS Managed freight terms. All loads must be entered into the CVS Collect Routing Web Portal and must follow the Collect Routing Instructions outlined below. *Vendors are not accountable for the performance of the CVS fleet and performance is based solely on the timing of shipments entered into the CVS Collect Routing Web Portal.*

The On Time requirement for backhaul vendors is there must be four days of transit time provided in the Collect Routing Web Portal between the available for pickup date and the STA date (Do not include weekends, holidays or the STA Date in the calculation). Loads meeting this standard will meet the On Time requirement for the OTIF program.

The following is an illustrative example to demonstrate the application of these program parameters.

Available for Pickup	Days	STA Date	Conclusion
6/22/2018	5	7/2/2018	Compliant



The following is a summary of the On Time Parameters of the OTIF Program discussed so far. As previously stated, each qualifying receipt is evaluated against these parameters. Any receipt passing the On Time parameters is then included in our OTIF assessment discussed in the next section.

PREPAID Vendor Managed Freight	COLLECT CVS Managed Freight	BACKHAUL CVS Managed Freight
PO arrives on or before the STA date, or	Based on timing of freight information entered into transportation portal:	Based on timing of freight information entered into transportation portal:
A requested delivery date that falls within a 5 business day compliance window (PO STA date or 4 business days prior).	Shipping information is submitted to CVS at least 72 hours prior to available pickup (include business calendar M-F), and	4 days is provided to CVS to meet STA date upon pickup (measured as days between Available for Pickup date and STA date)
	Ample transit time is provided to CVS to meet the STA date upon pickup (transit times defined in Routing Guide).	

OTIF Requirements – OTIF Assessment

Receipts deemed to meet the On Time requirements are included in the final OTIF assessment for the purchase order. Each purchase order line or SKU is evaluated against the original purchase order

quantity. *OTIF Effectiveness* is calculated for each PO and is a measure of the portion of a PO received on time and in full (PO Cost On Time and In Full / Total PO Cost).

The following is an illustrative example to demonstrate the application of the PO OTIF parameters.

Example PO # 1	Purchase Order Details			Received On Time		OTIF Effectiveness Rate
	Item	Units Ordered	Unit Cost	PO Cost	Units Received	
SKU A	100	\$ 1	\$ 100	100	\$ 100	100%
SKU B	100	\$ 1	\$ 100	50	\$ 50	50%
SKU C	100	\$ 1	\$ 100	95	\$ 95	95%
SKU D	100	\$ 1	\$ 100	90	\$ 90	90%
Total	400		\$ 400	335	\$ 335	84%

Original PO Cost
(Units Ordered X Unit Cost)

Received On Time Cost
Units received meeting On Time Parameters
(Units Ordered X Rec OT Cost)

OTIF Effectiveness Rate
Rating of OTIF compliance PO cost vs total PO Cost
Cost value of units received meeting On Time parameters / Total PO Cost

Application of Performance Based Program and Calculation of Penalties

As part of the OTIF performance program, CVS has also implemented performance based incentives to further drive On Time deliveries and Fill Rate (In Full). Vendors consistently providing best-in-class service to our business throughout our monthly assessment period are rewarded with exemptions and/or reduced penalties.

Monthly vendor performance is assessed each month for all purchase orders with a first receipt in the respective month. A monthly OTIF effectiveness is calculated for the month by comparing the total cost value of merchandise received on time and the total purchase order cost of all POs. Based on the resulting OTIF effectiveness score, CVS will assess a penalty percent against the *sum of all portions of POs not filled to 95% of the original purchase order quantity*. The performance tiers and respective penalties are as follows.

OTIF Effectiveness	Penalty Offset
At or Above 95%	Exempt
Below 95% and at or above 85%	1.5%
Below 85%	3.0%

The following is an illustrative example to demonstrate the application of the Performance Based Program and Calculation of Penalties.

Units meeting On Time parameters of OTIF

Cost value of any SKU *not* filled to 95% of original PO quantity on time

Example PO #1

Item	Units Ordered	Unit Cost	Invoice Cost	OTIF Compliant (Units)	OTIF Compliant (\$)	OTIF Non Compliant (\$)	Received OT (%)	Chargeable Non Comp
SKU A	100	\$ 1	\$ 100	50	\$ 50	\$ 50	50%	\$ 50
SKU B	100	\$ 1	\$ 100	100	\$ 100	\$ -	100%	\$ -
SKU C	100	\$ 1	\$ 100	95	\$ 95	\$ 5	95%	\$ -
SKU D	100	\$ 1	\$ 100	90	\$ 90	\$ 10	90%	\$ 10
Total	400		\$ 400	335	\$ 335	\$ 65		\$ 60

Example PO #2

Item	Units Ordered	Unit Cost	Invoice Cost	OTIF Compliant (Units)	OTIF Compliant (\$)	OTIF Non Compliant (\$)	Received OT (%)	Chargeable Non Comp
SKU A	100	\$ 1	\$ 100	0	\$ -	\$ 100	0%	\$ 100
SKU B	100	\$ 1	\$ 100	0	\$ -	\$ 100	0%	\$ 100
SKU C	100	\$ 1	\$ 100	0	\$ -	\$ 100	0%	\$ 100
SKU D	100	\$ 1	\$ 100	0	\$ -	\$ 100	0%	\$ 100
Total	400		\$ 400	0	\$ -	\$ 400		\$ 400

Example PO #3

Item	Units Ordered	Unit Cost	Invoice Cost	OTIF Compliant (Units)	OTIF Compliant (\$)	OTIF Non Compliant (\$)	Received OT (%)	Chargeable Non Comp
SKU A	100	\$ 1	\$ 100	95	\$ 95	\$ 5	95%	\$ -
SKU B	100	\$ 1	\$ 100	100	\$ 100	\$ -	100%	\$ -
SKU C	100	\$ 1	\$ 100	100	\$ 100	\$ -	100%	\$ -
SKU D	100	\$ 1	\$ 100	95	\$ 95	\$ 5	95%	\$ -
Total	400		\$ 400	390	\$ 390	\$ 10		\$ -

Monthly OTIF Effectiveness Assessment	
Total Invoice Cost	\$ 1,200
OTIF Compliant Cost	\$ 725
OTIF Effectiveness	60.42%

Performance Tier	Penalty
95%	0.0%
85%	1.5%
< 85%	3.0%

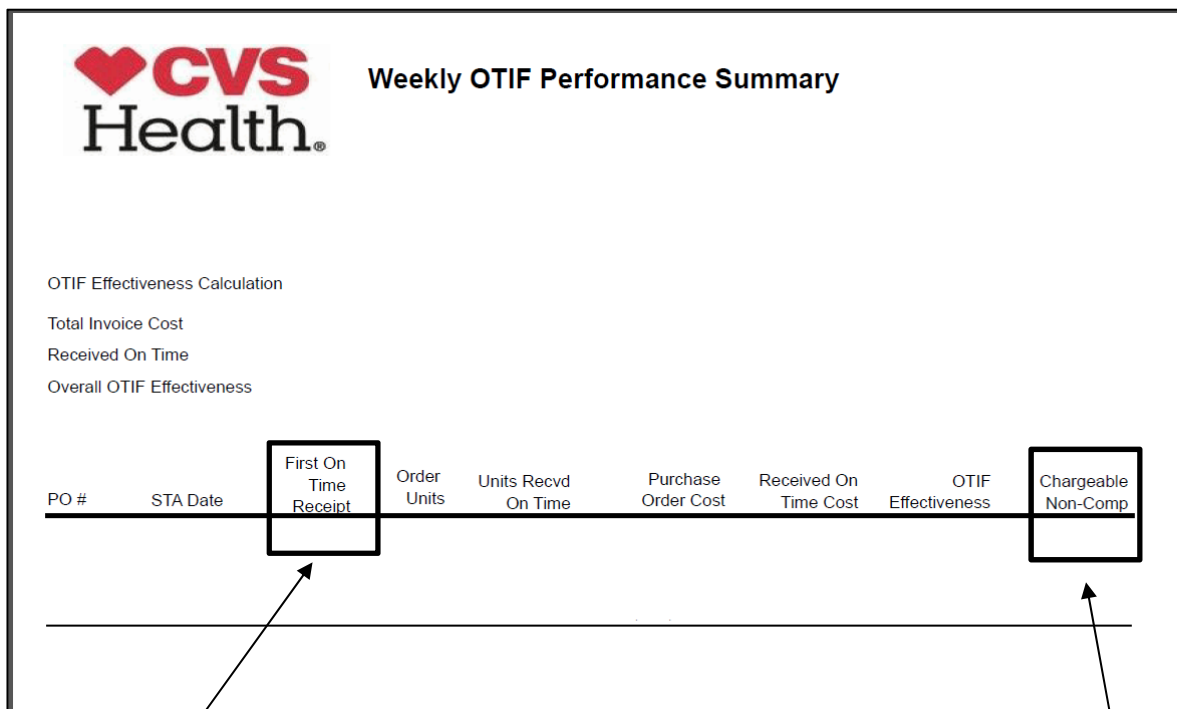
Monthly Penalty Calculation	
Total Chargeable Non Comp	\$ 460
Penalty Tier	3.0%
Monthly Penalty	\$ 13.80

Penalties assessed against PO lines (SKU Level) deemed to have not been received on time to 95% of the original PO cost (i.e. PO shortfall)

Weekly Reporting

There is a Weekly OTIF Performance Summary report distributed Monday mornings. The report will summarize OTIF performance all purchase orders assessed during the previous week. The report is distributed at the PO vendor level according to contacts maintained in the CVS Supply Chain Performance portal (see section **I. General Instructions**).

Layout and Header of OTIF Performance Summary



PO #	STA Date	First On Time Receipt	Order Units	Units Recvd On Time	Purchase Order Cost	Received On Time Cost	OTIF Effectiveness	Chargeable Non-Comp
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Date of first receipt deemed On Time under OTIF parameters
Please note, "No OT Recpt" indicates there were no receipts meeting the On Time parameters

Chargeable Non-Comp is the sum of all PO lines not filled to 95% of original PO quantities. *This is not the charge amount.* Monthly charges are calculated at the end of the month once performance is assessed.

B. Delivery Appointment Integrity

The Delivery Appointment Integrity program is designed to track and identify opportunities related to the vendor's ability to honor warehouse delivery appointment(s) (or the vendor's carrier). The appointment process is facilitated through the CVS eAppointment Scheduling portal. This portal is mainly utilized by carriers to schedule delivery appointments into the CVS Distribution Centers.

Vendors with prepaid freight terms should note they are responsible for the performance of their carriers. The Supply Chain Performance team recommends discussing performance opportunities with their carriers in the event the vendor is being assessed any penalties under this program.

This program is not applicable to vendors utilizing a preferred carrier or loads shipped with collect freight terms. Details of the preferred carrier program are outlined in the CVS Routing Guide located at www.cvssuppliers.com/logistics. For reference, below is a listing of the CVS Preferred Carriers:

TL	LTL/UTL	National LTL
CH Robinson	CH Robinson Consolidation	ABF Freight
Koch Logistics		FedEx Freight Priority & Economy
Coyote		YRC
Load Delivered		

Regional LTL Carriers*	Service DCs
Tony's Express	Patterson, La Habra
New England Motor Freight	Chemung, Lumberton, Hainesport, Woonsocket, North Smithfield, Somerset, Fredericksburg,
SAIA	Bessemer, North Augusta, Orlando, Vero Beach, Indianapolis, Knoxville, Loudon, Novi, Conroe, Houston, Ennis

**Preferred Carrier exemptions for Regional LTL carriers only applicable to vendors utilizing these carriers in specific Service DCs*

For vendors *not* utilizing a preferred carrier and shipping loads under prepaid freight terms, penalties under this program are triggered by one of the following events (*do not include weekends/holidays*):

- 1) Arrival beyond one hour of scheduled appointment,
- 2) Cancellation or Reschedule request with less than 24 hours prior to delivery, or
- 3) Failure to arrive for scheduled appointment

Performance Tracking and Penalty Communication

Vendors are notified of their monthly performance for the Appointment Integrity program via a monthly scorecard distribution. Vendors may contact SupplyChainPerformance@CVSHealth.com to be added to the distribution list. An example scorecard is provided below for reference. Please note these penalties are at the appointment level, therefore any appointment violation will carry a \$275 penalties per load. Multiple penalties can be assessed for multiple violations on a load.

Example Scorecard for Appointment Integrity Program

Transportation On-Time Compliance Program

Supplier/Carrier Appointment Exceptions

On-Time Compliance - Chargeable (Prepaid/Non-preferred Carriers)

June 2018

Pay Vendor #	Pay Vendor Name	Total Appoint.	Total Chargeable Exceptions	Supplier On-Time %	Monthly Penalty
		155	4	97.42%	\$1,100.00

Summary Performance Data

Chargeable Exception Detail (Prepaid/Non-preferred Carriers)

NOTE - the following exceptions are the responsibility of the Supplier.

Appointment Nbr	PO Reference	Distribution Center	Appt. Date	Carrier	Category
					Carrier Late
					No Show
					Carrier Late
					Rescheduled After Appt Time
					Total Chargeable Exceptions 4

Chargeable appointments

Non-Chargeable Exception Detail (Collect/Preferred Carriers)

NOTE - the following exceptions are the responsibility of CVS.

Appointment Nbr	PO Reference	Distribution Center	Appt. Date	Carrier	Notes
					Rescheduled After Appt Time
					Total Non-Chargeable Exceptions 1

Section outlines service opportunities for loads exempt from charges (i.e. preferred carrier loads). No charges are assessed and information is purely for reference.

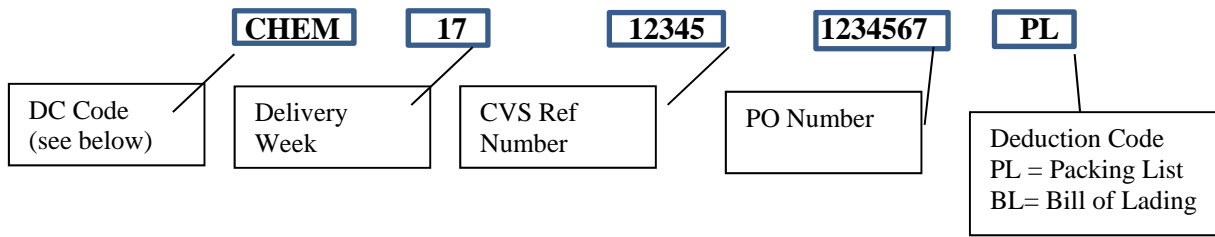
C. Packing List and Bill of Lading

The Packing List and Bill of Lading program is designed to track and identify opportunities related to inaccurate or missing packing lists and bill of ladings obtained during the detailed check-in (receipt) process at our distribution centers. *Each inaccurate or missing packing list or bill of lading identified at our distribution center is flagged and assessed a \$100 penalty to the vendor.* These penalties are displayed as invoice offsets and are laid out on the vendors check remittance with a very specific code within the description field:

Examples of Description Code Seen on Check Remittance:

- CHEM 17 12345 1234567 PL (packing list)
- CHEM 17 12345 1234567 BL (bill of lading)

Mapping of Description Code Seen on Check Remittance:



DC Codes	Distribution Center Locations	DC Codes	Distribution Center Locations
BESS	Bessemer, AL	LUMB	Lumberton, NJ
CHEM	Chemung (Waverly), NY	NAUG	Beech Island, SC (formerly N. Augusta)
CONR	Conroe, TX	NOVI	Novi, MI
ENNI	Ennis, TX	ONTR	Ontario, CA
FRED	Fredericksburg, VA	PATT	Patterson, CA
HAWI	Honolulu, HI	PNIX	Phoenix, AZ
INDY	Indianapolis, IN	SOME	Somerset, PA
KNOX	Knoxville, TN	VERO	Vero Beach, FL
LHBR	La Habra, CA	WOON	Woonsocket, RI (also includes N. Smithfield, RI)

Obtaining Back Up

Backup for these deductions can be provided to the vendors upon request by contacting SupplyChainPerformance@CVSHealth.com. Please address the subject line of your email as **“request for backup PL/BL.”** The body of the email must provide the following information:

- **The deduction invoice(s)** as it appears on the check remittance
- **And / or the check number(s)** in which you found the deduction(s)
- **And / or a copy of the check remittance(s)**

Deductions for inaccurate packing lists and/or bill of ladings are not eligible for disputes. Our distribution centers have been given very thorough instructions regarding the assessment of packing lists and bills of lading. Each violation tagged as non-compliant has undergone thorough review and the Supply Chain Performance team is confident in each violation identified. We encourage the vendors to work closely with their carriers to ensure packing lists and bill of ladings are included with your loads and are accurate.

D. Ship-To-Arrive (STA)

Please note the STA performance program is being phased out as the primary program to track vendor performance related to On Time Deliveries. The new OTIF program, described in Section A. On Time and In Full (“OTIF”), supersedes this program and is effective for all purchase orders with an STA of

7/1 and greater. Vendors may still receive notification of performance related to the STA program in the event there are warehouse receipts logged after 7/1 for purchase orders with an STA prior to 7/1.

The Ship-To-Arrive program is designed to ensure performance excellence in On Time deliveries to ensure purchase order deliveries consistent with the purchase order Ship-to-Arrive Date. The parameters of the program vary depending on the freight terms of the vendor (see below). Penalties for this program are levied in the amount of \$250 per non-compliant PO, capped at \$3,500 per month.

Freight Terms	Parameters	Penalty Calculation
Prepaid	<p>Failure to maintain a compliance level of 95% or greater (monthly)</p> <p>Compliant POs meet the following criteria:</p> <ol style="list-style-type: none"> 1) A requested delivery date that falls within the 5 day compliance window: on the PO STA date and 4 business days prior to the STA date, and 2) An appointment submit date greater than 48 hrs or 2 business days from the appointment request date. 	<p>\$250 per non-compliant PO, Capped at \$3,500 per month</p>
Collect	<p>Failure to maintain a compliance level of 95% or greater (monthly)</p> <p>Compliant POs meet the following criteria:</p> <ol style="list-style-type: none"> 1) Shipping information is submitted in the CVS transportation system at least 72 hours or 3 business days prior to available pickup date, and 2) The available pickup date must meet the minimum required business days prior to the STA date (see section II, subsection B for collect STA Program requirements). 	

Monthly Reporting:

Vendors will receive notification of performance related to the STA performance program monthly. Below is an example STA compliance scorecard. Vendors may request backup related to the STA by contacting SupplyChainPerformance@CVSHealth.com. Please include your pay vendor number and the evaluation month when requesting STA Scorecards.

Note for Collect Vendors: Please note, when assessing collect purchase orders under the STA performance program, CVS begins by evaluating the routing data entered into the portal, as dictated above. POs meeting the criteria are deemed compliant and included in the monthly PO totals as complaint POs. POs not meeting the criteria are then evaluated against the prepaid rules. This is done as a courtesy to vendors in the event the transportation team is able to deliver the purchase orders to the DC on time or consistent with the STA date. As a result, all data presented on the scorecard is pertinent to the STA program’s prepaid rules, regardless of the vendor’s actual freight terms.

Sample STA Performance Scorecard:

CVS Health		<u>Ship-To-Arrive (STA) Compliance Program</u>									
		95% Compliance Requirement									
STA Compliance by Pay Supplier				June 2018							
Pay Vendor #	Pay Vendor Name	Total PO Count	Total Non-Compliant POs	Category	% Compliant	Charge					
					64.05%	3500					
Non-Compliant PO Detail											
PO Number	Distribution Center	PO STA Date	Appt. Request Date	Appt. Submit Date	Non-Compliant Request Date	STA vs. Req. Date Variance (Days)	Non-Compliant Submit Date	Submit vs. Req. Date Variance (Hours)	PO Vendor Nbr	Promo Code	Carrier

III. Supply Chain Performance Disputes

Dispute instructions for the CVS supply chain performance program may vary based on the program the deduction was assessed under. Please read the instructions carefully and address any questions to the CVS Supply Chain Performance team via SupplyChainPerformance@CVSHealth.com.

Disputes are reviewed on an individual PO basis. CVS reserves the right to deny/dismiss reversal requests based on the information provided by all parties. Processing times for disputes vary based on the program.

- The acceptable window to dispute charges is 6 months for the Delivery Appointment Integrity and Ship-to-Arrive Performance programs.
- The acceptable window to dispute charges is 90 days for the On Time and In Full program.

Note: Deductions related to the Packing List and Bill of Lading Performance Programs are not eligible for dispute. The CVS Distribution Centers have been given explicit instructions with regards to the proper identification and tracking of these violations. Please work with your carriers in the event you are assessed chargebacks related to this program.

On Time and In Full (“OTIF”)

All disputes related to the OTIF program must be submitted within **90 days** of release of the monthly OTIF Scorecard. Generally scorecards are issued during the second or third week of the month following the evaluation period (i.e. July Scorecards to be released in mid-August). The OTIF dispute process is facilitated through the vendor portal and tutorials/instruction on dispute procedures can be found by accessing the “Self Help” menu at the top right section of the vendor portal.

Please note, charges are only disputable **once**. The Supply Chain Performance Team will not review disputes multiple times therefore it is imperative to review the requirements outlined below before submitting a dispute and ensuring you have met all the requirements. Please note, the Supply Chain Performance team will exercise *some* leniency in these guidelines during the initial rollout of the portal. Our vendor portal provides a medium for collaboration with the community as vendors are becoming accustomed to the requirements.

Delivery Appointment Integrity

Expense offsets related to this appointment appear using the following check description code:

ON-TIME JULY 2016 12345 (last 5 digits represent your CVS pay vendor #)

PRIOR TO SUBMITTING AN ON TIME DISPUTE:

- ✓ Review performance details with the carrier.
- ✓ Review appointment details from eAppointment scheduling system.
- ✓ Contact the Supply Chain Performance Team if you need help accessing this information:
SupplyChainPerformance@CVSHealth.com

IMPORTANT NOTES:

- **Note 1:** Prepaid vendors are responsible for penalties due to traffic delays, mechanical breakdowns, late rail issues, capacity issues, carrier rescheduling mix-ups, or similar occurrences. CVS understands these events may be out of the carriers' control; however MISSED penalties due to such occurrences are not subject to deduction reversal. Please understand such occurrences cause hardships for CVS DCs with respect to receiving inefficiencies and increased costs; it is important to notify the DC as soon as possible if situations of this nature occur.
- **Note 2:** A copy of Arrival/Departure Times is available to the carrier at time of delivery. Instruct your carrier to request a printout prior to departing and keep for future reference.

REQUIRED SUPPORTING DOCUMENTS:

- ✓ Completed ON TIME Dispute Template (found at <http://www.cvssuppliers.com/logistics>)
- ✓ Copy of Monthly On-Time Report
- ✓ Copy of the appointment details for each disputed PO (where applicable)
- ✓ Written correspondence from responsible parties (where applicable)
- ✓ Copies of shipping documents for each disputed PO (where applicable)
 - BOL
 - Signed POD
 - Freight tracking information

INSTRUCTIONS FOR SUBMITTING MONTHLY ON-TIME DISPUTES:

1. Address the subject of your email with "DISPUTE – ON TIME MONTH YEAR (5 digit vendor #) as referenced on the check remittance
2. Attach the completed ON TIME Dispute Template
3. Attach copies of required supporting documents (listed above)
4. Submit dispute to logisticsdeductions@cvscaremark.com

Ship-To-Arrive ("STA")

Important Prepaid LTL Notes:

Vendors with prepaid freight terms are wholly responsible for the performance of their carriers when making deliveries into the CVS distribution centers. Disputes related to carrier performance issues, regardless of whether the carrier is included in the CVS Preferred Carrier Program, will be denied immediately when submitted. Refer to the [CVS Carrier-Supplier Prepaid LTL Expectations](#) document found on <http://www.cvssuppliers.com/logistics> for further reference.

Important Collect Terms Notes:

Please note our vendors with collect freight terms are not held accountable for the performance of CVS carriers. Performance is based on the timing of the system entry date, the available for pickup date and the STA date entered into the vendor routing portal. When our criteria for these date entries is not met (discussed previously in Section II), the POs are assessed against the prepaid rules. This is done as a courtesy to vendors in the event the transportation team is able to deliver the purchase orders to the DC on time or consistent with the STA date. As a result, all data presented on the scorecard is pertinent to the STA program's prepaid rules, regardless of the vendor's actual freight terms.

PRIOR TO SUBMITTING A STA DISPUTE:

- ✓ Collect Suppliers – review the portal entry date and available pickup date
- ✓ Prepaid Suppliers – review the appointment details obtained from the CVS Compliance Portal. If applicable you will need to submit a copy of the details as part of the required documents.
 - **Helpful hints when reviewing the appt details:**
 - If shipping prepaid LTL freight, while reviewing the appt details refer to the CVS Carrier-Supplier Prepaid LTL Expectations document
 - Compliance is based on the first requested delivery date. Refer to the “Requested Time” column.
 - If the first line of the report contains “NEW POs ADDED” in the Reason column this means your PO was added to an existing appointment request which may skew compliance. If the pickup date was compliant based on transit and consolidation time this is a disputable PO.

IMPORTANT NOTES:

- Note 1: Preferred carrier exemptions do not apply to the STA Compliance Program
- Note 2: Compliance is in no way based on the Appointment Date/Time, Drop Date/Time or physical receipt.
- Note 3: In addition to a compliant request date, live unload carriers and non-preferred/nonapproved drop carriers are subject to the 48hr rule of appt submit date vs request date
- Note 4: In reference to Back Orders and STA Date Changes; please be aware that approval to ship back ordered items or to change PO STA dates is not an automatic exemption for non-compliant purchase orders within the STA Compliance program. Exemptions are granted for extraordinary circumstances outside of the suppliers' control. True exemptions must be submitted in writing from the CVS DC Planner (the person who creates the orders) or the CVS Category Manager (the buyer). Please ensure that the written exemption identifies the CVS item numbers(s) and corresponding purchase orders.

REQUIRED DOCUMENTS:**Collect Suppliers**

- ✓ Copy of monthly STA report
- ✓ Completed STA Dispute Template (note tabs for prepaid/collect) found at <http://www.cvssuppliers.com/logistics>

Prepaid Suppliers

- ✓ Copy of the monthly STA Report
- ✓ Completed STA Dispute Template
- ✓ Copy of the appointment details (where applicable)
- ✓ Written correspondence from responsible parties (where applicable)

INSTRUCTIONS FOR SUBMITTING MONTHLY STA DISPUTES:

1. Address the subject of your email with DISPUTE STA MONTH YEAR (5 digit vendor #) as referenced on the check remittance
2. Attach the completed STA Dispute Template
3. Attach copies of required supporting documents (listed above)
4. Submit dispute to logisticsdeductions@cvscaremark.com