Supply Chain Performance Program
Instructions
## REVISION CHANGE HISTORY

<table>
<thead>
<tr>
<th>VERSION #</th>
<th>CHANGES</th>
</tr>
</thead>
<tbody>
<tr>
<td>01</td>
<td>Document created and published 07/06/2018</td>
</tr>
<tr>
<td>02</td>
<td>Administrative changes made throughout <strong>Section II. Supply Chain Performance Program Description</strong>, Subsection a. On Time and In Full – Added examples of weekly and monthly reporting available to vendors and provided definitions of fields</td>
</tr>
</tbody>
</table>
| 03        | Administrative changes made throughout **Section II. Supply Chain Performance Program Description**  
- Removed all mention of STA program from document as program was discontinued effective in July 2018.  
- Added Small parcel program to CVS Supply Chain Performance Program Summary Table  
  **Subsection A. On Time and In Full ("OTIF")**  
  Updated description for OTIF invoice offsets on check remittance effective week ending 10/10/2020  
  Updated contact e-mail for vendors seeking access to collect load management vendor portal  
  **Subsection B. Delivery Appointment Integrity (formerly On-Time)**  
  Updated description for AI invoice offsets on check remittance  
  Updated CVS Preferred Carriers - Added SAIA to *National LTL*, Removed NEMF & SAIA from *Regional LTL Carriers*  
  **Subsection C. Packing List and Bill of Lading**  
  Updated description for PL/BL invoice offsets on check remittance  
  **Subsection D. Small Parcel**  
  Added section for new Small Parcel program |
# Table of Contents

I. General Instructions ................................................................................................. 4

II. Supply Chain Performance Program Description* .................................................. 5
    a. On Time and In Full ............................................................................................ 5
    b. Delivery Appointment Integrity ......................................................................... 16
    c. Packing List and Bill of Lading ........................................................................... 17
    d. Small Parcel ....................................................................................................... 18

III. Supply Chain Performance Disputes ................................................................. 20
    a. On Time and In Full and Small Parcel ............................................................... 20
    b. Delivery Appointment Integrity ......................................................................... 20

*Includes instructions on obtaining support for deductions
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 most recent update of this guide, the portal is being used to facilitate our On Time and In Full Performance (OTIF) and Small Parcel programs. 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 and Small Parcel 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.

<table>
<thead>
<tr>
<th>Performance Metric</th>
<th>Definition</th>
<th>Penalty</th>
</tr>
</thead>
<tbody>
<tr>
<td>On Time and In Full</td>
<td>Measure of ability to delivery product in accordance with the STA date and consistent with original purchase order quantities</td>
<td>Percent of PO cost based on monthly performance (0%, 1.5%, 3.0%)</td>
</tr>
<tr>
<td>Appointment Integrity</td>
<td>Measure of ability to honor warehouse delivery appointment(s). Failure triggered by one of the following events <em>(do not include weekends or holidays)</em>: 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.</td>
<td>$275 per chargeable penalty/no max</td>
</tr>
<tr>
<td>Bill of Lading</td>
<td>Missing or Inaccurate Bill of Lading</td>
<td>$100 per load</td>
</tr>
<tr>
<td>Packing List</td>
<td>Missing or inaccurate Packing List</td>
<td>$100 per load</td>
</tr>
<tr>
<td>Small Parcel</td>
<td>Measure of adherence with case limits for small parcel/ground deliveries into the CVS distribution network: 1) Prepaid Delivery: 15 Cases 2) Collect Delivery: 30 Cases</td>
<td>$5 per case over the limit, up to $150</td>
</tr>
</tbody>
</table>

A. On Time and In Full (“OTIF”)

Appears on payment remittance as SCP, followed by six-digit charge number, followed by the characters “OT” *(example: SCP123456OT)*

*Effective week ending 10/10/2020, any invoice offsets prior to this date will appear without the last two characters “OT”*

Example: SCP123456 - OTIF charge details are visible in the portal upon charge create date. Charges will remain visible for 12 months

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

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 up to 4 business days 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 requested delivery date/time entered into the CVS scheduling system by the carrier or vendor. This date represents when the merchandise is available to deliver to the corresponding DC as tracked in the CVS eAppointment scheduling portal.
b. For more information about the eAppointment portal, please see section IV. Deliveries, subsection C. Scheduling found in the CVS Routing Guide Instructions located at www.cvssuppliers.com/logistics.

c. Suppliers can obtain the appointment details within the eAppointment portal. Reach out to supplychainperformance@cvshealth.com for portal access.

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

**Example 1:**

<table>
<thead>
<tr>
<th>STA Date</th>
<th>First Request</th>
<th>First App Appnt</th>
<th>Second Request</th>
<th>Trailer Arrival Date</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>7/2/2018</td>
<td>7/2/2018</td>
<td>7/2/2018</td>
<td>N/A</td>
<td>7/2/2018</td>
<td>Compliant</td>
</tr>
</tbody>
</table>

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

**Example 2:**

<table>
<thead>
<tr>
<th>STA Date</th>
<th>First Request</th>
<th>First App Appnt</th>
<th>Second Request</th>
<th>Trailer Arrival Date</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>7/2/2018</td>
<td>7/2/2018</td>
<td>7/2/2018</td>
<td>7/5/2018</td>
<td>7/5/2018</td>
<td>Non Compliant</td>
</tr>
</tbody>
</table>

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:**

<table>
<thead>
<tr>
<th>STA Date</th>
<th>First Request</th>
<th>First App Appnt</th>
<th>Second Request</th>
<th>Trailer Arrival Date</th>
<th>Conclusion</th>
</tr>
</thead>
</table>

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 CVSEast@CVSHealth.com, CVSSouth@CVSHealth.com and CVSWest@CVSHealth.com.

System Entry Timing and Freight Availability:

a. Notification:

Shipping information must be submitted in the CVS Collect Routing Web Portal with at least 72 business hours/3 business days between the portal Create Date and the Available Pickup Date. When calculating the hrs/days, DO NOT include the Create Date, Available Date, weekends, or CVS DC holiday closures*.

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. When determining the Available date, DO NOT include the Available Date, STA Date, weekends, or CVS DC holiday closures*.

*The DC Holiday Closures Calendar is located on https://cvssuppliers.com/supply-chain-performance
The following is an illustrative example to demonstrate the application of these program parameters.

<table>
<thead>
<tr>
<th>System Entry Date</th>
<th>Days</th>
<th>Available for Pickup</th>
<th>Days</th>
<th>STA Date</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>6/18/2018</td>
<td>3</td>
<td>6/22/2018</td>
<td>5</td>
<td>7/2/2018</td>
<td>Compliant</td>
</tr>
</tbody>
</table>

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, CVS DC holiday closures* or the STA Date in the calculation). Loads meeting this standard will meet the On Time requirement for the OTIF program.

*The DC Holiday Closures Calendar is located on https://cvssuppliers.com/supply-chain-performance
The following is an illustrative example to demonstrate the application of these program parameters.

<table>
<thead>
<tr>
<th>Available for Pickup</th>
<th>Days</th>
<th>STA Date</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>6/22/2018</td>
<td>5</td>
<td>7/2/2018</td>
<td>Compliant</td>
</tr>
</tbody>
</table>

Requirement for a minimum of four days of transit time met.

Note: Collect POs shipped via small parcel are not routed by CVS and will identify as Prepaid in the Supply Chain Performance/Traverse portal. On Time compliance is based on the delivery date as tracked in the eAppointment system. The delivery date must fall on the PO STA date or up to 4 business days prior to STA.

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.

**OTIF Requirements – In Full 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.

### 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.

### Example PO #1

<table>
<thead>
<tr>
<th>Item</th>
<th>Units Ordered</th>
<th>Unit Cost</th>
<th>PO Cost</th>
<th>Units Received</th>
<th>Rec OT Cost</th>
<th>OTIF Effectiveness Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>SKU A</td>
<td>100</td>
<td>$1</td>
<td>$100</td>
<td>100</td>
<td>$100</td>
<td>100%</td>
</tr>
<tr>
<td>SKU B</td>
<td>100</td>
<td>$1</td>
<td>$100</td>
<td>50</td>
<td>$50</td>
<td>50%</td>
</tr>
<tr>
<td>SKU C</td>
<td>100</td>
<td>$1</td>
<td>$100</td>
<td>95</td>
<td>$95</td>
<td>95%</td>
</tr>
<tr>
<td>SKU D</td>
<td>100</td>
<td>$1</td>
<td>$100</td>
<td>90</td>
<td>$90</td>
<td>90%</td>
</tr>
<tr>
<td>Total</td>
<td>400</td>
<td>$1</td>
<td>$400</td>
<td>335</td>
<td>$335</td>
<td>84%</td>
</tr>
</tbody>
</table>

**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

---

**Original PO Cost**

(Units Ordered X Unit Cost)

**Received On Time Cost**

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

<table>
<thead>
<tr>
<th>Item</th>
<th>Units Ordered</th>
<th>Unit Cost</th>
<th>Invoice Cost</th>
<th>OTIF Compliant (Units)</th>
<th>OTIF Compliant ($)</th>
<th>OTIF Non Compliant ($)</th>
<th>Received OT (%)</th>
<th>Chargeable Non Comp</th>
</tr>
</thead>
<tbody>
<tr>
<td>SKU A</td>
<td>100</td>
<td>1</td>
<td>100</td>
<td>50</td>
<td>$50</td>
<td>-</td>
<td>50%</td>
<td>$50</td>
</tr>
<tr>
<td>SKU B</td>
<td>100</td>
<td>1</td>
<td>100</td>
<td>100</td>
<td>$100</td>
<td>-</td>
<td>100%</td>
<td>$100</td>
</tr>
<tr>
<td>SKU C</td>
<td>100</td>
<td>1</td>
<td>100</td>
<td>95</td>
<td>$95</td>
<td>-</td>
<td>95%</td>
<td>$95</td>
</tr>
<tr>
<td>SKU D</td>
<td>100</td>
<td>1</td>
<td>100</td>
<td>90</td>
<td>$90</td>
<td>-</td>
<td>90%</td>
<td>$90</td>
</tr>
<tr>
<td>Total</td>
<td>400</td>
<td></td>
<td>$400</td>
<td>335</td>
<td>$335</td>
<td>$65</td>
<td></td>
<td>$60</td>
</tr>
</tbody>
</table>

### Example PO #2

<table>
<thead>
<tr>
<th>Item</th>
<th>Units Ordered</th>
<th>Unit Cost</th>
<th>Invoice Cost</th>
<th>OTIF Compliant (Units)</th>
<th>OTIF Compliant ($)</th>
<th>OTIF Non Compliant ($)</th>
<th>Received OT (%)</th>
<th>Chargeable Non Comp</th>
</tr>
</thead>
<tbody>
<tr>
<td>SKU A</td>
<td>100</td>
<td>1</td>
<td>100</td>
<td>0</td>
<td>-</td>
<td>$100</td>
<td>0%</td>
<td>$100</td>
</tr>
<tr>
<td>SKU B</td>
<td>100</td>
<td>1</td>
<td>100</td>
<td>0</td>
<td>-</td>
<td>$100</td>
<td>0%</td>
<td>$100</td>
</tr>
<tr>
<td>SKU C</td>
<td>100</td>
<td>1</td>
<td>100</td>
<td>0</td>
<td>-</td>
<td>$100</td>
<td>0%</td>
<td>$100</td>
</tr>
<tr>
<td>SKU D</td>
<td>100</td>
<td>1</td>
<td>100</td>
<td>0</td>
<td>-</td>
<td>$100</td>
<td>0%</td>
<td>$100</td>
</tr>
<tr>
<td>Total</td>
<td>400</td>
<td></td>
<td>$400</td>
<td>0</td>
<td>-</td>
<td>$400</td>
<td></td>
<td>$400</td>
</tr>
</tbody>
</table>

### Example PO #3

<table>
<thead>
<tr>
<th>Item</th>
<th>Units Ordered</th>
<th>Unit Cost</th>
<th>Invoice Cost</th>
<th>OTIF Compliant (Units)</th>
<th>OTIF Compliant ($)</th>
<th>OTIF Non Compliant ($)</th>
<th>Received OT (%)</th>
<th>Chargeable Non Comp</th>
</tr>
</thead>
<tbody>
<tr>
<td>SKU A</td>
<td>100</td>
<td>1</td>
<td>100</td>
<td>95</td>
<td>$95</td>
<td>-</td>
<td>95%</td>
<td>$95</td>
</tr>
<tr>
<td>SKU B</td>
<td>100</td>
<td>1</td>
<td>100</td>
<td>100</td>
<td>$100</td>
<td>-</td>
<td>100%</td>
<td>$100</td>
</tr>
<tr>
<td>SKU C</td>
<td>100</td>
<td>1</td>
<td>100</td>
<td>100</td>
<td>$100</td>
<td>-</td>
<td>100%</td>
<td>$100</td>
</tr>
<tr>
<td>SKU D</td>
<td>100</td>
<td>1</td>
<td>100</td>
<td>95</td>
<td>$95</td>
<td>-</td>
<td>95%</td>
<td>$95</td>
</tr>
<tr>
<td>Total</td>
<td>400</td>
<td></td>
<td>$400</td>
<td>390</td>
<td>$390</td>
<td>$10</td>
<td></td>
<td>$10</td>
</tr>
</tbody>
</table>

### Monthly OTIF Effectiveness Assessment

<table>
<thead>
<tr>
<th></th>
<th>Total Invoice Cost</th>
<th>OTIF Compliant Cost</th>
<th>OTIF Effectiveness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>$1,200</td>
<td>$725</td>
<td>60.42%</td>
</tr>
</tbody>
</table>

### Performance Tier Penalty

<table>
<thead>
<tr>
<th>Performance Tier</th>
<th>Penalty</th>
</tr>
</thead>
<tbody>
<tr>
<td>95%</td>
<td>0.0%</td>
</tr>
<tr>
<td>85%</td>
<td>1.5%</td>
</tr>
<tr>
<td>&lt;85%</td>
<td>3.0%</td>
</tr>
</tbody>
</table>

### Monthly Penalty Calculation

<table>
<thead>
<tr>
<th></th>
<th>Total Chargeable Non Comp</th>
<th>Penalty Tier</th>
<th>Monthly Penalty</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$460</td>
<td>3.0%</td>
<td>$13.80</td>
</tr>
</tbody>
</table>

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)

The minimum charge amount is $5.00. Charges calculated at less than $5.00 will be rounded up to $5.00
Weekly OTIF Performance Summary

There is a Weekly OTIF Performance Summary report distributed Monday mornings. The report will summarize OTIF performance for 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

- **OTIF Effectiveness Calculation**
  - Total Invoice Cost
  - Received On Time
  - Overall OTIF Effectiveness

- **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.
Weekly Compliance Summary

There is a Weekly Compliance Summary report distributed Monday mornings. The report provides a listing of all Potential Charges for every PO held accountable under OTIF. At the time the report is issued, charges are in Pending status meaning no chargeback is being assessed at that time. Vendors can look up the details of the charge by utilizing the vendor portal and the charge number given. All OTIF penalties are calculated as 3.0% of non-compliant cost however may be adjusted based on monthly performance (please see preceding section “Application of Performance Based Program and Calculation of Penalties”)

![Sample Compliance Summary](image)
Monthly PBC Performance Summary

There is a Monthly PBC Performance Summary distributed monthly (second Friday after the fiscal month end). This report includes performance data for every PO assessed during the month, allows visibility to the PBC monthly assessment and the assigned performance tier (see preceding section “Application of Performance Based Program and Calculation of Penalties”), provides vendors with the status of PO disputes resolved prior to the PBC assessment and provides vendors with chargeback amounts for each PO after the assessment.

Performance Tiers of the PBC

PBC Score

Monthly OTIF Effectiveness Calculation

Performance Data used in PBC Calculation:
- Amounts used in actual determining monthly OTIF
- Performance data adjusted for any dispositions

PO Disposition:
- Changes to original performance data
  - i.e. Disputes (indicated as Adj to 100% OTIF)
  - i.e. Exemptions (indicated as Exemption)

Initial Performance Data:
- Prior to Disputes
- Includes all POs (including exempted POs)

PBC Charge Amounts:
- Charge amounts are updated here to reflect monthly performance using performance tiers
- Charges are moved to Approved status
B. Delivery Appointment Integrity

Appears on payment remittance as AIXXXXXMMMYYYY (example: AI12345JUL2020)

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:

<table>
<thead>
<tr>
<th>TL</th>
<th>LTL/UTL</th>
<th>National LTL</th>
</tr>
</thead>
<tbody>
<tr>
<td>CH Robinson</td>
<td>CH Robinson Consolidation</td>
<td>ABF Freight</td>
</tr>
<tr>
<td>Koch Logistics</td>
<td>FedEx Freight Priority &amp; Economy</td>
<td></td>
</tr>
<tr>
<td>Coyote</td>
<td>YRC</td>
<td></td>
</tr>
<tr>
<td>Load Delivered</td>
<td>SAIA</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Regional LTL Carriers*</th>
<th>Service DCs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tony’s Express</td>
<td>Patterson, La Habra</td>
</tr>
</tbody>
</table>

*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

The monthly invoice offset will appear on the check remittance as AI####MMMYYYY (see previous example). Please note these penalties are at the violation level, therefore a single PO can incur multiple penalties on a single appointment or across multiple appointments when applicable. Each appointment violation will carry a $275 penalties per load.

Obtaining Back Up

Backup for these deductions can be provided to the vendors upon request by contacting SupplyChainPerformance@CVSHealth.com. Backup is available up to 24 months after the expense offset appears on the check remittance. Please address the subject line of your email as “request for backup AI” The body of the email must provide the following information:
- The deduction invoice(s) as it appears on the check remittance or a copy of the check remittance(s)
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. Refer to the CVS Routing Guide Instructions for PL and BOL requirements [https://cvssuppliers.com/supply-chain-performance](https://cvssuppliers.com/supply-chain-performance) 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 (beginning with P (Packing List) or B (Bill of Lading):

Examples of Description Code Seen on Payment Remittance:

- P12345CH123456 (packing list)
- B12345CH123456 (bill of lading)

Mapping of Description Code Seen on Check Remittance:

<table>
<thead>
<tr>
<th>Deduction Code</th>
<th>DC Codes</th>
<th>Distribution Center Locations</th>
</tr>
</thead>
<tbody>
<tr>
<td>P</td>
<td>BE</td>
<td>Bessemer, AL</td>
</tr>
<tr>
<td></td>
<td>CH</td>
<td>Chemung (Waverly), NY</td>
</tr>
<tr>
<td></td>
<td>CO</td>
<td>Conroe, TX</td>
</tr>
<tr>
<td></td>
<td>EN</td>
<td>Ennis, TX</td>
</tr>
<tr>
<td></td>
<td>FR</td>
<td>Fredericksburg, VA</td>
</tr>
<tr>
<td></td>
<td>HA</td>
<td>Honolulu, HI</td>
</tr>
<tr>
<td></td>
<td>IN</td>
<td>Indianapolis, IN</td>
</tr>
<tr>
<td></td>
<td>KN</td>
<td>Knoxville, TN</td>
</tr>
<tr>
<td></td>
<td>LH</td>
<td>La Habra, CA</td>
</tr>
<tr>
<td>B</td>
<td>BE</td>
<td>Lumberton, NJ</td>
</tr>
<tr>
<td></td>
<td>CH</td>
<td>Beech Island, SC (formerly N. Augusta)</td>
</tr>
<tr>
<td></td>
<td>CO</td>
<td>Novi, MI</td>
</tr>
<tr>
<td></td>
<td>EN</td>
<td>Ontario, CA</td>
</tr>
<tr>
<td></td>
<td>FR</td>
<td>Patterson, CA</td>
</tr>
<tr>
<td></td>
<td>HA</td>
<td>Phoenix, AZ</td>
</tr>
<tr>
<td></td>
<td>IN</td>
<td>Somerset, PA</td>
</tr>
<tr>
<td></td>
<td>KN</td>
<td>Vero Beach, FL</td>
</tr>
<tr>
<td></td>
<td>LH</td>
<td>Woonsocket, RI (also includes N. Smithfield, RI)</td>
</tr>
</tbody>
</table>

Obtaining Back Up

Backup for these deductions can be provided to the vendors upon request by contacting SupplyChainPerformance@CVSHealth.com. Backup is available for up to 12 months from when the deduction appears on the check remittance. 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 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. Small Parcel

Appears on payment remittance as SCP, followed by six-digit charge number, followed by the characters “SP” (example: SCP123456SP)

The purpose of the Small Parcel Program is to help reduce the number of small parcel/ground shipments into our distribution network. Small parcel/ground deliveries are more costly and take longer to receive, thereby increasing the time for the product to be available to ship to our stores to support our customers.

As part of the implementation of this program, CVS has implemented a case limit for small parcel/ground deliveries throughout the distribution network (see below). *This includes but is not limited to shipping with UPS Ground or FedEx Express.* Cases delivered in excess of the limit will be subject to expense offset deductions between $5 and $150. Any cases consolidated into a master case will be counted individually towards the case limit (the master case is not counted).

**Summary of Program Requirements:**
- Applicable to all front store, small parcel/ground deliveries beginning October 4, 2020 into the CVS Distribution Network
  - Excludes Pharmacy and Direct to Store Delivery
- Case Limits*:
  - Prepaid Freight Terms: 15 cases per PO
  - Collect Freight Terms: 30 cases per PO**
- Payment Offsets
  - Vendors will receive expense offset deductions for each carton received over the aforementioned case limits calculated at $5 per case, up to a of maximum $150
- Effective for any small parcel/ground delivery beginning October 4, 2020

*Cases consolidated in a master case will be counted individually against the case limit

The Small Parcel program violations will be administered in the CVS Supply Chain Performance Portal powered by Traverse Systems, accessible at [https://auth.traversesystems.com/Auth/](https://auth.traversesystems.com/Auth/). Vendors with access to the portal will be notified of violations by:
- Reviewing the Compliance Summary distributed weekly via e-mail, and
- Accessing the ‘Charge Inquiry’ screen within the aforementioned portal.
Below is an example of the Chargeback Detail report. The Chargeback Detail report is available for all Small Parcel violations, accessible through the ‘Charge Inquiry’ screen of the vendor portal.

16 Cases (Total Received) - 15 Cases (Prepaid Case Limit) = 1 Case (In excess of Case Limit)
1 Case X $5 Case Penalty = $5 Charge
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.

- Delivery Appointment Integrity program - The acceptable window to dispute charges is 6 months from the date the expense offset appears on the check remittance.
- On Time In Full and Small Parcel programs - The acceptable window to dispute charges is 90 days from the charge create date (or transmit date) as noted in the portal.

*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”) & Small Parcel

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). All disputes related to the Small Parcel program must be submitted within **90 days** of the charge date.

The dispute process for both programs are facilitated through the vendor portal and tutorials/instructions on dispute procedures can be found by accessing the “Learning Center” menu at the top right section of the vendor portal (select Portal Help Documents).

Please note, charges are only disputable **once**. The Supply Chain Performance Team will not review disputes multiple times therefore it is imperative to submit disputes with supporting documentation that effectively substantiates/justifies the dispute. Our vendor portal provides a medium for collaboration with the community as vendors are becoming accustom to the requirements.

**Delivery Appointment Integrity**

**PRIOR TO SUBMITTING AN Appointment Integrity DISPUTE:**

- Review the Supplier-Carrier Guidelines for Prepaid LTL Shipments [https://cvssuppliers.com/supply-chain-performance](https://cvssuppliers.com/supply-chain-performance) Carrier inefficiencies are to be addressed directly with your carrier and are not eligible for review/reversal.
- 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 APPTINT Dispute Template (found at) [https://cvssuppliers.com/supply-chain-performance](https://cvssuppliers.com/supply-chain-performance)
- Copy of Monthly AI details
- 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 APPTINT DISPUTES:**

1. Address the subject of your email with “DISPUTE – APPTINT followed by month/year/5 digit vendor #
2. Attach the completed APPTINT dispute Template (mandatory template is located on [https://cvssuppliers.com/supply-chain-performance](https://cvssuppliers.com/supply-chain-performance))
3. Attach copies of required supporting documents (listed above)
4. Submit dispute to supplychainperformance@cvshealth.com