



## Supply Chain Performance Program Instructions



## REVISION CHANGE HISTORY

VERSION #	CHANGES
01	<b>Document created and published 07/06/2018</b>
02	<i>Administrative changes made throughout</i> <b>Section II. Supply Chain Performance Program Description, Subsection a. On Time and In Full</b> – Added examples of weekly and monthly reporting available to vendors and provided definitions of fields
03	<i>Administrative changes made throughout</i> Removed all mention of STA program from document as program was discontinued effective in July 2018. <b>Section II. Supply Chain Performance Program Description</b> Added Small parcel program to CVS Supply Chain Performance Program Summary Table <b>Subsection A. On Time and In Full ("OTIF")</b> 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 <b>Subsection B. Delivery Appointment Integrity (formerly On-Time)</b> Updated description for AI invoice offsets on check remittance Updated CVS Preferred Carriers- Added SAIA to <i>National LTL</i> , Removed NEMF & SAIA from <i>Regional LTL Carriers</i> <b>Subsection C. Packing List and Bill of Lading</b> Updated description for PL/BL invoice offsets on check remittance <b>Subsection D. Small Parcel</b> Added section for new Small Parcel program
04	<b>Section II. Supply Chain Performance Program Description:</b> Updated the Appointment Integrity penalty rates Added a section for ASN Program <b>Section II.A On Time and In Full ("OTIF")</b> Removed section on Application of PBC Added section on OTIF Penalty Calculation Removed section on Monthly PBC Performance Summary <b>Section II.B Delivery Appointment Integrity</b> Updated Appointment Integrity penalty rates <b>Section II.E ASN Compliance</b> Added section of ASN Program <b>Section III. Supply Chain Performance Disputes</b> Updated dispute window from 90 days to 45 days

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*\*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 third party vendor portal *Traverse* designed to support the facilitation of compliance 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), ASN 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 Traverse Portal for OTIF, ASN 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.

For access to Traverse contact [SupplyChainPerformance@CVSHealth.com](mailto:SupplyChainPerformance@CVSHealth.com). Please provide the following information.

COMPANY NAME: \_\_\_\_\_

COMPANY VENDOR NUMBER(S): \_\_\_\_\_

CONTACT NAME: \_\_\_\_\_

EMAIL ADDRESS \_\_\_\_\_

PHONE (OPTIONAL): \_\_\_\_\_

Please note the Traverse portal includes a full library of informational and educational documents related to the compliance programs as well as portal utilization documents and videos. Refer to the Learning Center of the portal toolbar.

## 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 reinforcing 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%, 5.0%)
Appointment Integrity	Measure of ability to honor warehouse delivery appointment(s). Failure triggered by one of the following events ( <i>do not include weekends or holidays</i> ): 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.	Late Arrival - \$100 Reschedule - \$275 No Show - \$500
Bill of Lading	Missing or Inaccurate Bill of Lading	\$100 per load
Packing List	Missing or inaccurate Packing List	\$100 per load
Small Parcel	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	\$5 per case over the limit, up to \$150
Advanced Ship Notice (ASN)	Measure of adherence to ASN requirements: All inbound deliveries must be accompanied by an ASN meeting: (1) the min standards defined by American Standards Board and (2) the requirements outlined in the CVS ASN specifications.  ASNs must be transmitted the calendar day prior to the approved delivery appointment.	Missing - \$100 Rejected - \$100 Late - \$75 Inaccurate - \$50  All penalties are per violated PO

### 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)

Charges will remain visible in Traverse for 12months

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	AD*	AD	X	AD	AD	7
8	AD			OA		14
15						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 ship mode and vendor freight terms (Prepaid or Vendor Managed Freight, Collect or CVS Managed Freight and Backhaul).

**Prepaid/Vendor Managed Freight (TL and LTL)**

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 **IV.3 Scheduling** found in the CVS Routing Guide Instructions located at <https://cvssuppliers.com/document-library/supply-chain-performance>
  - c. Suppliers can obtain the appointment details within the eAppointment portal. Reach out to [supplychainperformance@cvshealth.com](mailto:supplychainperformance@cvshealth.com) for portal access

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 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.**

compliant

***Small Parcel/Ground Collect (CVS managed freight) and Prepaid (vendor managed freight)***

On-Time compliance for small parcel/ground shipments is measured against the delivery date. The delivery date\* must fall within the 5-day On-Time compliance window\*\*

*\*The delivery date is captured in the eAppointment Reporting Services and noted in the Requested Time field on the appointment details. Appointment details are available with access to the eAppointment Reporting Services portal (refer to Reference Materials and Resources)*

*\*\*The 5-day On-Time compliance window is the STA date and the 4 business days before the STA date*

Collect small parcel/ground shipments will appear in the Traverse portal with “Prepaid” bill terms because collect/ground POs are not routed through the MercuryGate routing portal. Only POs entered in the CVS MercuryGate routing portal are identified as “Collect” in the Traverse portal.

The following are examples of compliant and Non-compliant On-Time scenarios for Small Parcel/Ground shipments

<i>Delivered within compliance window (on STA)</i>			<i>Delivered within compliance window (3 business days before STA)</i>		
STA	Delivery Date	Conclusion	STA	Delivery Date	Conclusion
5/16/2024	5/16/2024	Compliant	5/16/2024	5/13/2024	Compliant
<i>Delivery fell outside compliance window (after STA)</i>			<i>Delivery fell outside compliance window (6 business days before STA)</i>		
STA	Delivery Date	Conclusion	STA	Delivery Date	Conclusion
5/16/2024	5/17/2024	Non-Compliant	5/16/2024	5/9/2024	Non-Compliant



**Collect/CVS Managed Freight**

The following section provides the parameters for the On Time portion of OTIF for CVS Managed Freight. This includes:

1. Collect vendors with 100% CVS managed freight
2. Prepaid vendors participating in the CPU/backhaul program

The following is a fundamental outline of the OTIF requirements as they relate to routing entry compliance. *Vendors will need to download the CVS Routing Guide Instructions\* to obtain:*

- *Collect Freight Handling Instructions including comprehensive guidance for routing entries*
- *The guide to utilize the Collect Routing Calculator tool*

\*CVS Routing Guide Instructions <https://cvssuppliers.com/document-library/supply-chain-performance>

For MercuryGate portal access and general questions regarding routed loads, reach out to any one of the following contacts. For questions regarding a specific routed load, choose the applicable contact based on the shipping destination.

Destination State	Region	Contact
CT, DE, MA, MD, ME, NH, NJ, NY, PA, RI, VA, VT, WV	cvsEast	<a href="mailto:cvsEast@cvshealth.com">cvsEast@cvshealth.com</a>
IA, IL, IN, KS, KY, MI, MN, MO, ND, NE, OH, SD, WI	cvsMidwest	<a href="mailto:cvsMidwest@cvshealth.com">cvsMidwest@cvshealth.com</a>
AL, AR, FL, GA, LA, MS, NC, OK, PR, SC, TN, TX	cvsSouth	<a href="mailto:cvsSouth@cvshealth.com">cvsSouth@cvshealth.com</a>
AK, AZ, CA, CO, HI, ID, MT, NM, NV, OR, UT, WA, WY	cvsWest	<a href="mailto:cvsWest@cvshealth.com">cvsWest@cvshealth.com</a>

The On-Time portion of OTIF compliance for Collect vendors is evaluated based on the MercuryGate Routing portal entries by the supplier.

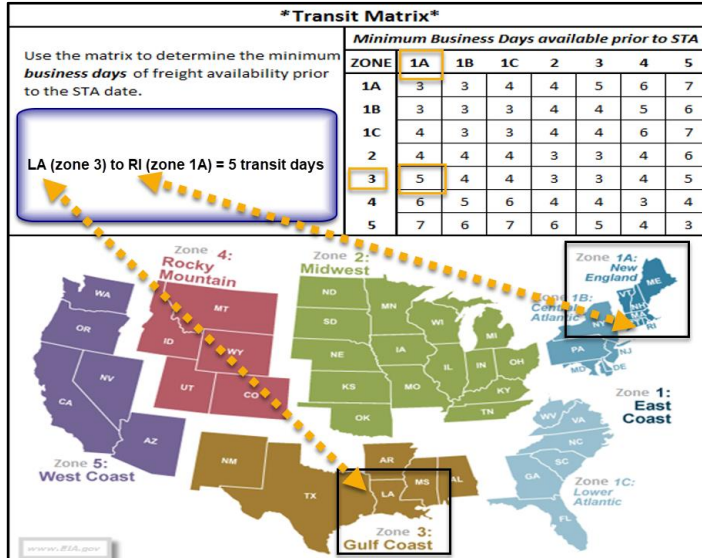
The MercuryGate routing requirements for Collect vendors consists of 2 components:

1. A Shipment Ready Date that allows for the required number of business transit days (per the Transit Matrix) prior to the PO STA date.
2. A Portal Entry Date that falls no less than 4 business days before the Shipment Ready Date. The days prior to the Shipment Ready Date allow for the Transportation team to effectively route POs

If BOTH dates meet the requirements, the PO is immediately considered compliant for the On-Time portion of OTIF. Any incidents occurring after routing entry are not held against suppliers' compliance metrics (i.e. late pickups, requested delivery dates and delivery arrivals after the STA date).

## 1) Determining the Shipment Ready Date (or Early Pickup Date in MercuryGate):

Obtain the required number of Transit Business Days from the Transit Matrix located in the CVS Routing Guide Instructions. The Guide is available within the Learning Center of the Traverse portal and on the <https://cvssuppliers.com/document-library/supply-chain-performance>



The required number of transit days is determined by the Ship-From and Ship-To states.

In this example, the shipping lane is LA (zone 3) to RI (zone 1A).

Zones 3 and 1A intersect on 5 business transit days.

- From the STA date, count the number of business days equal to the Transit Days
  - counting backward, not including the STA date, weekends, or DC holiday closures\*
- The Shipment Ready date must fall on this date or earlier.

Example: PO STA Date is 2/16/24, shipping lane requires 5 business days for transit

- Shipment Ready Date = 2/09/24 (falls on the 5<sup>th</sup> business day before STA to account for required 5-day transit)

February 2024

Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa
				1	2	3	4	5	6	7	8	9	10
11	12	13	14	15	16	17	18	19	20	21	22	23	24

## 2) Determining the Routing Request Date (or Routing Create Date in MercuryGate):

The Routing Request Date must fall 4 business days or more before the Shipment Ready Date

- From the Shipment Ready Date count 4 business days backward
  - not including the Shipment Ready Date, weekends, or DC holiday closures\*

Example: Shipment Ready Date is 2/9/24

- Routing Request Date = 2/05/24 (falls on the 4<sup>th</sup> business day before the Ship Ready Date)

February 2024

Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa
				1	2	3	4	5	6	7	8	9	10
11	12	13	14	15	16	17	18	19	20	21	22	23	24

\*DC holiday closure dates are available within the Learning Center of the Traverse portal and on the CVSSuppliers.com website

Example of a Non-Compliant Routing Dates where a holiday fell within the business day calculations:

Blue = Routing Create Date / Green = Target Early Date / Yellow = Holiday / Red = PO STA Date

May 2024 calendar example						
Su	Mo	Tu	We	Th	Fr	Sa
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

Total business transit days = 5

An extra business day must be added when a DC Holiday closure date falls within the routing date calculations.

Compliant dates would have been:  
Routing Create Date = 5/15/24  
Shipment Ready Date = 5/21/24.

**Collect Routing Calculator - To assist in ensuring compliant routing entry dates the Transportation Team rolled out a Collect Routing Calculator in December 2023. Information can be obtained in the CVS Routing Instructions (refer to Reference Materials and Resources).**

*Two Important Notes about the Routing Calculator:*

1. *The Calculator is not applicable to CVS managed freight under the prepaid CPU/Backhaul partnership. Instructions for prepaid CPU/Backhaul are outlined after this section.*
2. *The Calculator does not account for DC Holiday Closure dates. Please read the instructions in the Routing Guide carefully.*

### **CVS Managed Freight for Prepaid CPU/Backhaul**

The MercuryGate Routing requirements for Prepaid CPU/Backhaul freight managed by CVS consists of 1 component:

1. A Shipment Ready Date that falls 4 business days (or earlier) before the PO STA date.

**Determining the Shipment Ready Date (or Early Pickup Date in MercuryGate):**

- From the STA date, count 4 business days
  - counting backward, not including the STA date, weekends, or DC holiday closures\*
- The Shipment Ready date must fall on this date or earlier.

\*DC Holiday Closure dates are available on the cvssuppliers.com website

Compliant Example for a CPU routing: PO STA Date is 2/16//24

- Shipment Ready Date = 2/12/24 (falls on the 4<sup>th</sup> business day before STA)

February 2024

Su	Mo	Tu	We	Th	Fr	Sa
11	12	13	14	15	16	17

Non-Compliant Example with a holiday for a CPU routing: PO STA Date is 5/29/24.

May 2024

Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa
19	20	21	22	23	24	25	26	27	28	29	30	31	10

- Shipment Ready Date – 5/23/24 (noncompliant)
- 5/23/24 is the 4<sup>th</sup> business day before the STA however 5/27/24 is a holiday and must be omitted from the 4-business day count because all Distribution Centers are closed.
- The Shipment Ready Date must be 5/22/24 or earlier.

The following is a summary of the On Time Parameters of the OTIF Program discussed so far.

Vendor Managed Freight - Prepaid (LTL & TL)	CVS Managed Freight - Collect Portal Entry Requirements	CVS Managed Freight - Prepaid CPU Portal Entry Requirements	Small Parcel Ground - Prepaid and Collect
Trailer arrives on PO STA or up to 4 business days before STA	Routing Request Date - falls no less than 4 business days before Shipment Ready Date	Routing Request Date - NA	Delivery date falls within the 5-day compliance window
Carrier's requested delivery date falls on PO STA or up to 4 business days before STA	Shipment Ready Date - falls no less than the number of business transit days (per the Transit Matrix) before the STA date.	Shipment Ready Date - falls no less than 4 business days before the STA date (Transit Matrix not applicable)	Actual delivery falls on the PO STA date or up to 4 business days before PO STA

## 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.

Example PO # 1	Purchase Order Details			Received On Time		OTIF Effectiveness Rate	
	Item	Units Ordered	Unit Cost	PO Cost	Units Received		Rec OT Cost
	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%
	<b>Total</b>	<b>400</b>		<b>\$ 400</b>	<b>335</b>	<b>\$ 335</b>	<b>84%</b>

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

## OTIF Penalty Calculation

- OTIF penalties are applicable to any PO with an OTIF rating below 95%. OTIF ratings are calculated as the following:
  - Compliant Cost of Purchase Order / Total Purchase Order Cost = OTIF Rating
- Compliant cost of the purchase order is equal to the cost value of merchandise delivered on time.
- Total Purchase Order Cost refers to the cost value of the original purchase order.
  - PO cuts, even when communicated prior to delivery, are not considered when calculating a PO's OTIF score.

*OTIF penalties are calculated as follows:*

- Non-Compliant Cost of the Purchase Order \* Penalty Rate = OTIF Charge
  - Non-Compliant Purchase Order Cost is equal to the cost value of merchandise not delivered on time:
    - Merchandise not delivered (not filled)
    - Merchandise delivered late (not meeting the on-time requirements)

The penalty rate will be benchmarked against the OTIF performance of each individual PO according to the below schedule.

Tier	Top Threshold	Bottom Threshold	Penalty
1	100%	95%	0.0%
2	94%	85%	1.5%
3	84%	0%	5.0%

The minimum charge amount is \$5.00. Charges calculated at less than \$5.00 will be rounded up to \$5.00

### OTIF Penalty Calculation Example

PO #1 & #2 - The purchase order was delivered on time but was not delivered in full to the original purchase order.  
 PO #3 - The purchase order was not delivered on time.

PO	Order Cost	On Time Rec Cost	Non-Comp. Cost	OTIF %	Penalty Rate	Penalty
1	\$3,500	\$3,375	\$125	96%	0.0%	\$0.00
2	\$3,500	\$3,050	\$450	87%	1.5%	\$6.75
3	\$3,500	0	\$3,500	0%	5.0%	\$175.00

**PO #1: Delivered On Time, Filled greater than 95%**

On time Received Cost / Order Cost = OTIF %:  
 $\$3,375 / \$3,500 = 96\%$   
 Penalty Tier 1 – 0.0% or Exempt from Penalties

**PO #2: Delivered On Time, Filled less than 95%**

On time Received Cost / Order Cost = OTIF %:  
 $\$3,050 / \$3,500 = 87\%$   
 Penalty Tier 2 – 1.5% Penalties  
 Non-Compliant Cost X Penalty Tier = OTIF Penalty:  
 $\$450 \times 1.5\% = \$6.75$

Note: When a purchase order is delivered on time, but has fill rate less than 95%\*, the charge will be equal to either 1.5% or 5% of the non-compliant item cost.

\* Items/quantities on original purchase order were not delivered or delivered outside the five day receipt window.

**PO #3: Delivered Late**

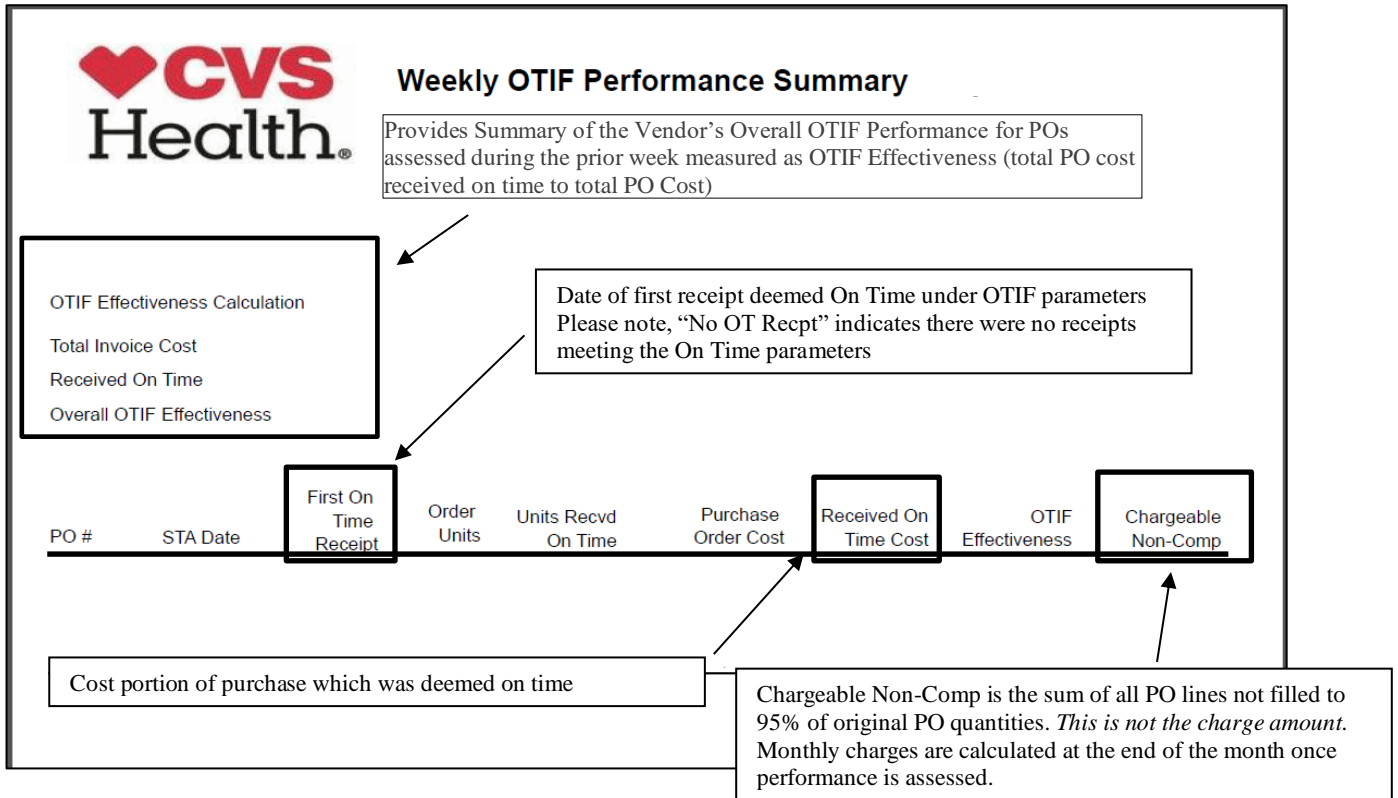
On time Received Cost / Order Cost = OTIF %:  
 $\$0 / \$3,500 = 0\%$   
 Penalty Tier 3 – 5.0% Penalties  
 Non-Compliant Cost X Penalty Tier = OTIF Penalty:  
 $\$3,500 \times 5.0\% = \$175.00$

Note: When a purchase order is delivered late, the charge will always be equal to 5% of the total purchase order cost.

## 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 Traverse portal

### Layout and Header of OTIF Performance Summary



## 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 5.0% 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")

CVS Health		COMPLIANCE SUMMARY				
PO VENDOR NUMBER:		<div style="border: 1px solid black; padding: 5px;">                     All OTIF Penalties References:                      • Rule Reference: 1947                      • Rule Description: OTIF non-compliance                 </div>				
VENDOR NAME:	Sample					
PAY VENDOR:						
Rule Reference	Charge #	Rule Description	PO #	Charge Amount	Charge Status	
1947		OTIF non-compliance		\$15.82	Pending	
1947		OTIF non-compliance		\$52.13	Pending	
					**Report End**	Run Date 9/8/2018

## B. Appointment Integrity

Appears on payment remittance as AIXXXXXMMYYYY (example: AI12345JUL2020)

The Appointment Integrity compliance program is designed to track and identify opportunities related to a carriers' ability to honor distribution center delivery appointment(s). The appointment process is facilitated through the eAppointment Scheduling system. This on-line application is mainly utilized by carriers to schedule delivery appointments into the CVS Distribution Centers.

Appointment Integrity (AI) violations are aggregated monthly. All violations with appointment dates that fall within a single month are consolidated into a monthly

AI report and distributed via email within two weeks from the last business day of the previous month.

The email distribution list is pulled from the Traverse compliance portal\* and includes only 'active' portal accounts.

- If your Traverse account automatically inactivates due to 90+ days of inactivity, you will not receive the report until your account is reactivated.
- Keep your account active and log into Traverse periodically or at least once every 90 days.
- If your account is inactivated, you'll need to request reactivation. Email [supplychainperformance@cvshealth.com](mailto:supplychainperformance@cvshealth.com) and provide the email address associated with your Username.

AI compliance is measured using the data obtained from the eAppointment scheduling system.

Suppliers can view appointment information with access to the eAppointment Reporting Services portal. For access reach out to [supplychainperformance@cvshealth.com](mailto:supplychainperformance@cvshealth.com) and provide your CVS 5-digit pay vendor number.

### Appointment Integrity Requirements

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.



The Appointment Integrity compliance program is not applicable to vendors utilizing a preferred LTL carrier (including CH Robinson LTL consolidation program) or loads managed by CVS (Collect, Prepaid CPU/Backhaul). Details of the preferred carrier program and a list of CVS Preferred LTL Carriers is available in the CVS Routing Guide Instructions available on the [cvssuppliers.com](http://cvssuppliers.com) website

For prepaid vendors managing their own freight and *not* utilizing a preferred LTL carrier, penalties under this program are triggered by any one of the following events:

- 1) Arrival beyond 30 minutes of scheduled appointment time
  - a. Live-unload is measured to the Check-In Time
  - b. Drop trailers are measured to the Gate Arrival Time
- 2) Cancellation or Reschedule request with less than 24 hours prior to delivery
  - a. Do not include holidays, weekends or other DC closure date
- 3) Failure to arrive for scheduled appointment
  - a. No Show
  - b. Rescheduled/Cancelled After Appointment Date/Time

Violation Type	Penalty
Late arrival / beyond 30 minutes of appointment time	\$100
Cancelled / Reschedule with less than 24 hours' notice	\$275
Failure to arrive / No Show / Rescheduled after appointment date/time	\$500

### 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 available on the [cvssuppliers.com](http://cvssuppliers.com) website.*

Charge notifications appear on payment remittances beginning with L, for packing list violations and M, for BOL violations (see examples below).

Deduction backup is available for 12 months from the payment remittance date and can be obtained by emailing [supplychainperformance@cvshealth.com](mailto:supplychainperformance@cvshealth.com) The SCP team will forward the backup request to the DC on your behalf and the DC will provide a copy of the Vendor Compliance Reporting form along with applicable supporting documentation.

Requests for backup must include the deduction as it is referenced on the payment remittance.

Examples: <b>L12345CH1234567</b> & <b>M12345CH1234567</b>			
<b>L = packing list / M = Bill of Lading, Ticket # on DC form, DC code, PO #</b>			
<b>DC Codes</b>			
<b>DC Code</b>	<b>Distribution Center Locations</b>	<b>DC Code</b>	<b>Distribution Center Locations</b>
<b>CH</b>	Chemung (Waverly), NY	<b>NJ</b>	Lumberton, NJ
<b>CO</b>	Conroe, TX	<b>NA</b>	Beech Island, SC (formerly N. Augusta)
<b>EN</b>	Ennis, TX	<b>NO</b>	Novi, MI
<b>FR</b>	Fredericksburg, VA	<b>OR</b>	Orlando, FL
<b>HA</b>	Kapolei, HI	<b>PA</b>	Patterson, CA
<b>IN</b>	Indianapolis, IN	<b>SO</b>	Somerset, PA
<b>KN</b>	Knoxville, TN	<b>VE</b>	Vero Beach, FL
<b>LH</b>	La Habra, CA	<b>WO</b>	Woonsocket, RI (includes N. Smithfield, RI)

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
  -

\*Cases consolidated in a master case will be counted individually against the case limit  
 \*\*Refer to the Routing Guide Instructions for requirements for Collect Small Parcel shipments available on the [cvssuppliers.com](http://cvssuppliers.com) website

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/>. 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.

Issue	CVS SKU#	UPC	Item Description	Issue Comments	Carton Number	Units	Cartons	
1								
*** End of Chargeback ***							Total Units/Cartons at Issue	0 0

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

## E. ASN Compliance

The purpose of the ASN program is to ensure accurate ASN transmissions, otherwise known as EDI document number 856, accompanying distribution Center purchase order deliveries into the CVS DC network. Accurate ASN transmissions are the gate way to precise, real-time DC capacity planning, proactive inventory and ordering management through advanced notification of ordered v shipped discrepancies, and promotes expedient, exact, receipt reconciliation and payment invoicing.

Each ASN sent to CVS must meet the following requirements in order to adhere to this program:

1. All warehouse shipments/deliveries must be accompanied by an ASN received by CVS by the calendar day prior to the scheduled appointment of receipt of inventory into our distribution centers
2. All ASNs transmitted to CVS must be in a readable format and must contain all mandatory elements in accordance with the CVS 856 ASN Specification Guide (refer to Reference Materials and Resources)

Nonadherence will result in ASN chargebacks for the following noncompliant parameters:

1. ASN Missing – failure to send ASN (or ASN received more than two calendar days after the scheduled appointment of receipt of inventory)
2. ASN Rejection – failure to send ASN in readable format
3. ASN Late – failure to send ASN by the calendar day prior to the scheduled appointment of receipt of DC shipment/delivery.
4. ASN Inaccurate – failure to meet one or more CVS ASN specifications

CVS is administering compliance analysis in partnership with Syncrofy\*, a third party service providers. Syncrofy's role includes:

- Analyze and measure ASN compliance as related to timely and readable ASN receipts
- Analyze and measure ASN compliance as related to adherence with the CVS ASN Specification Guide
- Provides a platform for vendors to review shipment details and investigate discrepancies

\*For access to Syncrofy refer to the Reference Materials and Resources section.

### III. Supply Chain Performance Disputes

Dispute instructions for CVS Supply Chain Performance programs 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](mailto:SupplyChainPerformance@CVSHealth.com).

Disputes are reviewed on an individual PO/charge 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.

- Appointment Integrity program - The acceptable window to dispute charges is **45 days from payment remittance**.
- On Time In Full, Small Parcel, and ASN programs - The acceptable window to dispute charges is **45 days from the Traverse transmitted/deduction date**.

*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.*

Please note, charges are only disputable **once**. The Supply Chain Performance Team will not review disputes multiple times therefore it is imperative to understand the reason why the PO generated a charge, utilize the tools available to investigate the violation, and submit disputes with relevant comments and supporting documentation that effectively substantiates/justifies the dispute.

#### Dispute Submittals for OTIF, ASN, and Small Parcel

The dispute process is facilitated through the Traverse portal. 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).

#### Dispute Submittals for Appointment Integrity

Appointment Integrity compliance is based solely on your carrier’s ability to honor their appointment dates/times. AI and OTIF compliance is measured against unique parameters and are not related in any way.

Appointment Integrity exemptions apply to the following criteria only:

- Suppliers whose freight is managed by CVS (collect and prepaid CPU/Backhaul)
- Suppliers utilizing a CVS Preferred LTL carrier (including CH Robinson LTL Consolidation).
  - A list of carriers is available in the *CVS Routing Guide Instructions* (refer to Reference Materials and Resources).

AI exemptions at the supplier level, for reasons other than the above, are not approved. AI exemptions at the PO level are reviewed on a case-by-case basis.

AI compliance is captured/measured utilizing the data in the eAppointment scheduling system. Suppliers with access to the eAppointment Reporting Services portal have visibility to the appointment data depicting the exact date and time the AI violation occurred. For portal access refer to Reference Materials and Resources.

AI disputes are processed via email to [supplychainperformance@cvshealth.com](mailto:supplychainperformance@cvshealth.com). One email per disputed month. Disputes are reviewed once; it is to your advantage to ensure your initial email contains all required information for all disputed POs.

AI dispute emails must contain the following:

- ✓ A completed *AI Dispute Template*
  - available on <https://cvssuppliers.com/document-library/supply-chain-performance>
- ✓ A copy of the monthly Appointment Integrity report
- ✓ A copy of the appointment details for each disputed PO
  - PODs and other forms of shipping documents are not applicable.

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.