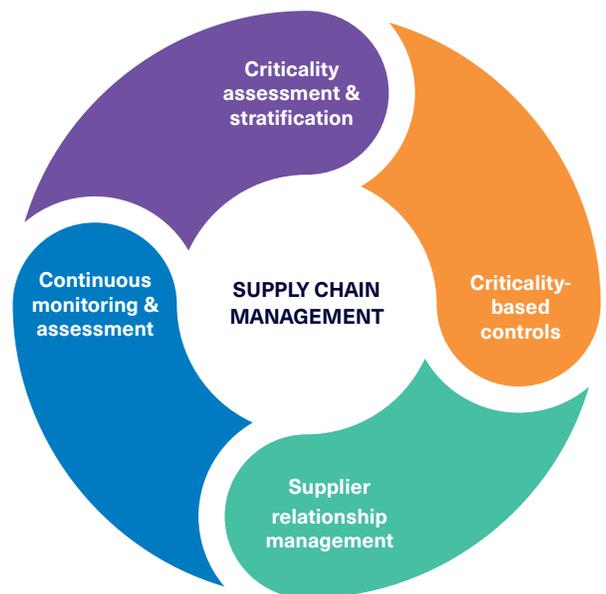


# Our Approach to Supply Chain Management

Our suppliers are an extension of our business. To ensure that our suppliers share and maintain our standards for product quality, availability and security, as well as for ethics, labor practices, worker health and safety, and environmental stewardship, we have a comprehensive supplier management program.

Our approach has four central components: criticality assessment and stratification; criticality-based controls; relationship management; and continuous monitoring and assessment.



## Criticality assessment & stratification

AbbVie works with tens of thousands of suppliers worldwide, who supply goods and services ranging from printer paper to key components of our medicines. In order to prioritize our supplier management activities, we identify **critical suppliers**. This classification is based on multiple criteria, but the potential impact of a supplier issue on product quality, safety, efficacy, availability or patient experience is paramount. Critical suppliers include those who supply:

- Active pharmaceutical ingredients, drug product or important product components
- Key specialized or precision products or services related to the manufacture or testing of medicines or devices
- Primary packaging and secondary product elements important to patient safety or experience
- Products or services with high impact on security or continuity of supply (for example, single or sole-source suppliers, key logistics suppliers)
- High volume or value goods or services (for example, suppliers to multiple brands)

The country of origin of the purchased material can also impact supplier criticality classification.

## Criticality-based controls

We establish supplier management controls based on a supplier's criticality classification. For our most critical suppliers, we require strong controls and close involvement of AbbVie experts.

Supplier Controls	Supplier Criticality Classification:	HIGH	MEDIUM	LOW
Adherence to AbbVie Supplier Code of Conduct agreed per contract		✓	✓	✓
Remote risk monitoring		✓	✓	✓
Sustainability assessments		✓	case-by-case	
Quality survey at prescribed intervals		✓	✓	case-by-case
Direct quality assessment (live or remote) at prescribed intervals		✓	case-by-case	
Integration with AbbVie enterprise quality management system			case-by-case	case-by-case

Our [Supplier Code of Conduct](#) defines our expectations for all suppliers doing business with AbbVie. It outlines our standards in the areas of ethical behavior, business integrity and fair competition, human rights, privacy, labor rights and worker protection, animal welfare, environmental stewardship and health and safety practices.

Our Quality and Environmental Health and Safety teams conduct detailed remote and on-site assessments of our suppliers on a regular schedule based on each supplier's criticality classification.

## Supplier relationship management

We work closely with our key suppliers on an ongoing basis, so we can continuously improve our relationships while driving assurance of on-time, high-quality materials and services globally. We establish regular joint activities so we can:

- Review strategic, financial and operational metrics
- Discuss and mitigate risks
- Identify opportunities for improvement, innovation and efficiency

## Continuous monitoring & assessment

Beyond our controls and relationship management, our proprietary Supplier Health Index integrates indicators of supply chain risk including supply management, quality, regulatory history, financial, environmental, social and country-specific security factors. This Index enables us to proactively scan our supplier network for signals of potential risk.



In addition, our global product protection team continuously scans our supply chain and the commercial landscape to prevent counterfeit or diverted products from reaching patients. Our measures include visible and invisible product features to verify authenticity, multiple and overlapping product tracking methods from origin to destination, and close partnership with local law enforcement authorities.

## The importance of sustainability

For AbbVie to be successful in the long term, we must work with suppliers that operate with the future in mind. Our commitment to sustainability means we require our suppliers to maintain fair labor practices, foster worker safety, protect the environment, and actively assess and manage risk.

For suppliers manufacturing key intermediate and active pharmaceutical ingredients, drug substances, drug products, combination products, devices and packaging processes, we require completion of an environment, health and safety checklist that covers:

- **Occupational hygiene:** Are hazardous materials used, are there risks of adverse events?
- **Environmental risks:** A Best Available Techniques (BAT) assessment for environmental protection is required
- **Process safety:** Is there potential for a catastrophic incident?
- **Fire protection and emergency response:** Does the product or process require special protection?
- **Transport:** Are there special shipping requirements for any materials involved?

Our Environment, Health and Safety team ensures that any risks identified have action plans for mitigation, these plans are tracked to completion and all standards are met.

We strive to make thoughtful purchasing decisions across the enterprise. Our [environmental procurement guidelines](#) indicate that departments should consider goods and services that minimize harmful effects on human health and the environment compared with competing products and services with comparable function and value. They further provide guidance on how departments can assess these factors during the bidding process.

AbbVie is an active member of the Pharmaceutical Supply Chain Initiative (PSCI), group of pharmaceutical and healthcare companies that have joined forces to promote responsible supply chain management across the industry. We have aligned our sustainability audit templates with the guidance provided by PSCI.

As part of our sustainability program, we survey suppliers on their sustainability practices and work with them to advance their efforts. Our goal is that 100% of surveyed suppliers have certain sustainability controls in place. Our sample has shown steady progress across a range of sustainability criteria:

CATEGORY	2013	2014	2015	2016	2017
 <b>ENVIRONMENTAL/SUSTAINABILITY PROGRAM</b> SAMPLE CRITERION: Measures and reports environmental information	46%	33%	44%	71%	69%
 <b>HUMAN RIGHTS AND SAFETY</b> SAMPLE CRITERION: Has a written policy against human trafficking and slavery	66%	73%	69%	83%	88%
 <b>REDUCTION IN CARBON FOOTPRINT</b> SAMPLE CRITERION: Has a goal and programs to reduce GHG emissions	31%	40%	52%	60%	73%
 <b>REDUCTION IN NATURAL RESOURCES USE</b> SAMPLE CRITERION: Has a goal and programs to reduce waste generation	46%	53%	65%	80%	79%
 <b>ENVIRONMENTAL INFORMATION</b> SAMPLE CRITERION: Monitors emissions to land, water, and air	34%	48%	58%	70%	72%
 <b>ENHANCED PRODUCT</b> SAMPLE CRITERION: Uses a product stewardship/lifecycle approach	37%	30%	48%	61%	72%

When we identify deficiencies through our sustainability audits and surveys, we evaluate potential risks and work with our partners to address them. Formal action plans are put in place as necessary to mitigate risk.

## Supplier diversity

**Our North America Supplier Diversity Program is designed to integrate small and diverse businesses into our supply chain. The program both enhances AbbVie's competitiveness in the market and provides opportunity for historically underutilized populations, including minorities, women, military veterans and others, to do business with AbbVie.**

AbbVie's small business/supplier diversity policy ensures that we provide equal opportunities for small and diverse-owned businesses. Working with our supplier diversity leader, our on-site supplier diversity advocates provide oversight, monitor spend and facilitate activities to support diverse supplier development.

We support the development of small and diverse suppliers through:

- Biennial Supplier Diversity and Development Conference
- Diverse Supplier Mentoring in partnership with Diversity Alliance For Science
- Biennial Supplier Diversity Exchange, a focus group between Incumbent Suppliers and our Purchasing Leadership team to discuss procurement-related topics
- Pro-bono environmental health and safety audit program for diverse suppliers
- Collaboration with the Supplier Diversity Pharmaceutical Forum to sponsor diverse suppliers to attend entrepreneurial education programs

For questions about our supplier diversity program, please contact [supplierdiversity@abbvie.com](mailto:supplierdiversity@abbvie.com)