

# 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
- Proactively discuss and mitigate risks
- Identify opportunities for improvement, innovation and efficiency
- Implement an Enterprise-wide mindset to drive consistency and alignment of our objectives cross-functionally and globally

## Continuous monitoring & assessment

Beyond our controls and relationship management, our Supplier Risk and Performance Management Platform integrates indicators of supply chain risk across eight different risk domains to assess areas of risk within our supplier base. These risk domains evaluate topics covering Contract, Finance, Human, Location (country specific), Operations, Regulatory, Supply Chain, Information Security and Data Privacy as well as sector and commodity specific risks. This platform enables us to proactively scan our supplier network for signals of potential risk.



To complement the Supplier Risk and Performance Management Platform, we conduct in-depth quality assessments of supplier sites with a focus on those sites with the greatest potential to impact product efficacy and safety.

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. One of the critical components for our procurement team includes training. Training is required for our procurement team on AbbVie's sustainability goals and initiatives and their role within our Supplier Sustainability Program. Another aspect is 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), interactive membership of pharmaceutical and healthcare companies that have joined forces to promote responsible supply chain management across the industry. We have standardized our sustainability audit templates with the guidance and tools provided by PSCI. We have incorporated the PSCI environmental survey questionnaire into our annual survey AbbVie made the commitment in 2021 to set a 1.5 C Science Based GHG target and in March 2023 AbbVie's Science Based Targets were validated by SBTi (Science Based Target Initiative.) We are encouraging all our suppliers to join us in committing to and setting a Science Based Target for GHG reduction.

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	2019	2021*	2022
<b>ENVIRONMENTAL/SUSTAINABILITY PROGRAM</b>								
SAMPLE CRITERION: Has a formal environmental sustainability program	46%	33%	44%	71%	69%	77%	68%	78%
<b>HUMAN RIGHTS</b>								
SAMPLE CRITERION: Has a formal policy or statement of commitment against human trafficking	66%	73%	69%	83%	88%	92%	77%	81%
<b>REDUCTION IN CARBON FOOTPRINT</b>								
SAMPLE CRITERION: Has a goal and/or program to reduce GHG emissions	31%	40%	52%	60%	73%	69%	88%	89%
<b>REDUCTION IN NATURAL RESOURCES USE</b>								
SAMPLE CRITERION: Has a goal and programs to reduce waste generation	46%	53%	65%	80%	79%	77%	86%	-**
<b>ENVIRONMENTAL INFORMATION</b>								
SAMPLE CRITERION: Monitors emissions (scope 1 & 2)	34%	48%	58%	70%	72%	77%	71%	77%
<b>REDUCED PRODUCT IMPACT</b>								
SAMPLE CRITERION: Uses a product stewardship/lifecycle approach	37%	30%	48%	61%	72%	55%	39%	35%

\*Data collected via Ecodesk Horizon platform starting 2021. Data prior to 2021 was collected using internal process at AbbVie

\*\*Question not asked during 2022, but will be re-included in 2023.

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

## Supplier Diversity

**Supplier Diversity and Economic Inclusion initiatives are designed to integrate diverse and small 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, persons with disabilities and those identifying as LGBTQ to do business with AbbVie.**

AbbVie's small business/supplier diversity policy ensures that we provide equitable opportunities for diverse and small businesses to provide goods and services. Working with our supplier diversity office, our supplier diversity advisory council and on-site supplier diversity advocates provide strategy oversight, monitor KPIs and metrics and facilitate activities to ensure supplier equity through supplier diversity and economic inclusion.

We support the development of small and diverse suppliers through:

- Mentoring
- Pro-bono Environmental Health and Safety and Sustainability consulting
- Biennial Supplier Development Conference offering curriculum in Quality, Innovation and Risk Mitigation
- Sponsorship of diverse suppliers to attend entrepreneurial education programs, regional and national conferences

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

