SEPRACOR Improving Health Through Innovation	NON-REGULATORY STANDARD OPERATING PROCEDURE	SOP Number:	PRO-003
Title: Preferred Supplier Relationship Management SOP		**Effective Date:** 01 July 10	
		Page:	1 of 10

WRITTEN BY:		Signature	Date
Type Author's Title Here Policy and SOP workgroup		Michael Coats, Chairman	30 June 10
APPROVED BY:		Signature	Date
Department Head or designee, Authoring Department		John G Zan	6/18/10
Department Head or designee, Affected Department		Brian Brennen	6/29/10
Other Staff Per Section 5.10			

Standard Operating Procedure Index

1.0 OBJECTIVE AND SCOPE

1.1 The objective of this Standard Operating Procedure is to define the procedures for managing Supplier relationships post-Contract and coordinating performance between Sepracor and the Supplier(s) to achieve long-term results and enable continuous improvement.

1.2 The scope of this document includes procedures for management of Preferred Suppliers.

1.3 Procurement serves as the primary point of contact for Supplier business relationship management including, but not limited to, overall coordination and management of the Supplier sourcing lifecycle, from Supplier selection and qualification, management and exit from the relationship.

1.4 This Standard Operating Procedure provides direction for generating Supplier Performance Reports and/or data review for providers of Goods and Services to Sepracor, where the Goods and Services are intended to be part of the Product, Packaging or Labeling.

2.0 ROLES AND RESPONSIBLITIES

2.1.1 Procurement is responsible for:

- Maintenance of this SOP.
- Category Spend Analysis
- Recommendations for Supplier Stratification
- Category reviews with Function team members
- Supporting the development of the Supplier Management Plan
- Monitoring Supplier performance metrics
- Participating in Supplier reviews
- Developing Supplier performance improvement recommendations
- Developing or Co-developing the Supplier Management Plan
- Scheduling and leading the Supplier business reviews for Preferred Suppliers.
- As services are provided, monitors the performance of a Supplier in collaboration with the appropriate Stakeholders(s).
- If the Supplier's performance does not meet expectations, establishes a plan with the appropriate Stakeholders(s) to improve Supplier performance.
- If the Supplier is continually unable to meet the minimum performance criteria as defined in the Scope of Work (SOW) and remediation steps have failed, Procurement collaborates with the appropriate Stakeholder(s), legal affairs, Financial Planning and Analysis/Accounting, quality, etc to mitigate risks up to and including termination of services.

2.1.2 **Stakeholders are responsible for:**

- Oversight of expenditures for a category
- Day to day Supplier oversight and performance management
- Working with Procurement to define the Supplier performance metrics.
- Coordinating and planning demand forecasts.
- Collecting Supplier performance data.
- Participating in Supplier reviews.
- Developing Supplier performance improvement recommendations
- Scheduling and leading the Supplier business reviews for Approved Suppliers if required.
- However, based on the performance criteria established during the Contract phase, if the Supplier can not resolve issues or if the issues require escalation or are the result of systemic failures with the Supplier, the Stakeholder should contact Procurement to coordinate the appropriate level of response.

2.1.3 **Financial Planning and Analysis/Accounting is responsible for:**

- Evaluating financial information related to Supplier transactions.

2.1.4 **Legal Affairs is responsible for:**

- Providing legal guidance and evaluating Contract terms.

3.0 DEFINITIONS

3.1 Supplier Relationship Management (SRM) is the systematic management of Supplier relationships to optimize the value delivered through the relationship over its life cycle.

3.2 Please refer to the associated Procurement Glossary Document, found on the SEPResource Procurement Portal and in the Corporate Standard Operating Procedures (SOP's) and Memorandum of Standards (MOS's) Index.

4.0 APPLICABILITY

4.1 This Standard Operation Procedure applies to all employees of the Company and those who act on its behalf for procurement purposes.

4.2 This Standard Operating Procedure applies to management of Preferred Suppliers.

4.2.1 Performance reporting is typically applicable to the top 80% (as measured by spend) of Suppliers in aggregate, and certain other Suppliers due to poor performance or high business risk.

4.3   Supplier Performance Reports are used within Sepracor for analysis and decision making purposes, though some of this information may be communicated to Suppliers through Business Reviews or other means to provide visibility to quality performance trends or concerns.

5.0   REFERENCED DOCUMENTS

5.1   Related policies and procedures regarding expenditure authority, approval and signing authority have been established elsewhere. Important matters related to the commitment of Sepracor funds and resources are discussed in these policies. Please refer to the following as appropriate:

- Procurement Policy

- Procurement SOP, PRO-001

- Strategic Sourcing SOP, PRO-002

- Procurement Glossary, PRO-005

- Purchasing Requisitions SOP, PRO-006

- Purchasing Card SOP, PRO-007

- Expenditure Commitment and Invoice/Payment Approval Policy

- Invoice/Payment Approval SOP

- Approval Authority SOP

- Receiving Goods & Completion of Services SOP

- Contract Review and Signing Authority Policy

- Contract Signing Authority Procedure

- Contract Management SOP, PRO-008

- Supplier Qualification of Hardware, Software, and IT-Service Providers SOP

- Travel Policy

- External Communications Policy

- Grant Policy

- Health Professional Consultant Policy

- Customs–Trade Partnership Against Terrorism Program and Tier-One International Suppliers SOP.

5.2   Note that new and revised policies and procedures may be approved by Sepracor from time to time and should also be referred to, as applicable. All policies and procedures can be found on the Compliance Portal of the SEPResource.

These policies and procedures have been documented to standardize the procurement process. Important matters related to the commitment of Sepracor funds and resources are discussed in these policies. Please become familiar with them prior to engaging in purchasing activities.

6.0 GENERAL

Supplier relationship management consists of 6 steps (Preferred Supplier relationship readiness, Supplier segmentation, internal demand management, Market management, Supplier development, and Supplier performance management) as detailed below.

Procurement will work with the Stakeholder to establish a solid SRM foundation during the sourcing process by executing the following:

6.1 Preferred Supplier Relationship Readiness

6.1.1 The sourcing process must include a well defined scope, expectations, and roles and responsibilities for both the Supplier and Sepracor. These should be directly translated into the Contract.

6.1.2 Establish clear, measurable Service Level Agreements (SLAs) and Key Performance Indicators (KPIs) with explicit targets should be included upfront if applicable during the sourcing, negotiation and Contract execution process.

- Performance measurements will vary depending on the product/service, customer satisfaction, product/ service quality, support process performance, end-user satisfaction, efficiency, Supplier performance, and/or measurement methods.

- There should be a clear link between a Suppliers performance and their compensation, and what constitutes a failure and penalty.

6.1.3 Where applicable Procurement advises using a price/cost model with at-risk fees. Use of outcomes based language, holdback language, and penalty/reward clause can help share the risk and reward of the relationship.

6.1.4 Where applicable executes a formal transfer process with the Supplier with a detailed transfer plan (process, knowledge, software, inventory,data).

6.1.5 Clearly defined roles and responsibilities must be included both during the sourcing process and in the Contract.

6.2 Supplier Segmentation

6.2.1 Procurement will perform Supplier segmentation to understand the current state, identify gaps, define the ideal state, allocate resources and identify appropriate actions

6.2.2 Align segmentation with sourcing strategies.

6.3 Internal Demand Management

6.3.1 Procurement will work with Stakeholder to manage internal demand patterns.

- Conduct specification rationalization.

- Manage what can be purchased through use of Preferred Suppliers, product standards and catalogues.

- Create process rules for purchases.

- Create commodity rules (i.e. Travel Guide).

6.3.2 Stakeholder should provide Supplier with accurate forecasts

- Communicate forecasted demand to Suppliers.

- Analyze discrepancies between actual and forecast to improve the linkages between the Supplier's processes and ours.

6.3.3 Stakeholder evaluates Supplier standard offerings and order timing where appropriate.

6.3.4 Procurement will evaluate complementary services to obtain insight into opportunities to leverage spend, by combining multiple services; or eliminating services, or goods. Investigate /identify process improvements to reduce costs.

6.3.5 Procurement rationalizes the Supplier base.

6.3.6 Procurement restricts souring to preferred Suppliers only, permitting deviation due to capability and performance gaps.

6.3.7 Stakeholder will track accuracy and trend historical usage data.

6.4 Market Management

6.4.1 Stakeholder works with Procurement to understand the marketplace by periodically analyzing:

- Key industry statistics

- Market dynamics

- Technology drivers

- Economic drivers

- Major market events and disruptions

- Supplier viability.

6.5 Supplier Development

6.5.1 Procurement establishes a formal Supplier development program that first selects Suppliers where development effort has the highest value to the organization, determine

the specific development need(s), and apply the appropriate development techniques. Sample development techniques include:

- Joint investment in new capabilities
- Intellectual capital sharing
- Joint value creation opportunity identification
- Joint process mapping and improvement
- Capability acquisition by Supplier
- Capital acquisition by Sepracor
- Multi-Supplier collaboration
- Joint personnel training
- Systems and process integration

6.5.2 Create pre-defined "tracks" for development, including guidelines for development trigger identification, toolkits for simplified execution of development activities and program management toolkits.

6.6 Supplier Performance Management

6.6.1 Procurement partners with Stakeholders to:

6.6.2 Establish a formal benchmarking process. This can be accomplished either through a procurement led business review or through a Supplier self reporting of established KPIs.

6.6.3 Ensure the Supplier performance assessment is open and collaborative internally as well as with the Supplier.

6.6.4 Track the Supplier relationship status using a Supplier scorecard system showing a Suppliers performance to their peer group and across all Preferred Suppliers.

6.6.5 Establish a performance review schedule with performance metrics and targets.

6.6.6 Ensure performance feedback is provided periodically to the Supplier.

6.6.7 Define an escalation process with your Supplier counter part. Establish reasonable timelines in which to escalate issues based on risk, complexity etc.

7.0 ATTACHMENTS

8.0 COMPLIANCE:

8.1 Failure to Comply

EMPLOYEES WHO VIOLATE ANY SEPRACOR POLICIES AND PROCEDURES WILL BE SUBJECT TO DISCIPLINARY ACTION, UP TO AND INCLUDING TERMINATION OF EMPLOYMENT.

8.2 Employees will be held accountable for adherence to this policy, associated policies, and supporting Procurement SOPs. Any commitment of funds that do not meet the requirements set forth in this policy will be considered non-compliant.

8.3 Violation of this policy or procedures will result in employee loss of expenditure privileges, non-payment to Suppliers, and cancellation of unauthorized Supplier Contracts. Suppliers not approved through the appropriate process for use in Oracle and appropriately qualified will not be paid and/or may be placed on payment hold, conditional use, or disqualified for use.

8.4 Violations

Reports concerning wrongful behavior, violations or suspected violations of this or any other policy, the Code of Conduct and Ethics, law or regulation may be submitted on a confidential basis or may be submitted anonymously through Sepracor's Compliance Hotline. Reports of violations or suspected violations of alleged misconduct or wrongful behavior will be maintained as confidential as practicable under the circumstances, and as necessary to conduct a full and fair investigation.

Toll free telephone number. 866-886-1348
Via the internet at: www.ethicspoint.com

8.5 Amendment

Management reserves the right to amend this policy as appropriate at any time without prior notice, pursuant to Sepracor Corporate Policy 1.0, "Origination, Revision, Communication and Archiving of Sepracor Corporate Policies."

8.6 Approval:

Ownership and maintenance of this policy is the responsibility of Sepracor Procurement. Sepracor Procurement will review the policy annually and make revisions as necessary. This policy, and significant changes to this policy, will be approved by Sepracor Procurement and all appropriate Sepracor boards and committees as required by tier level designation.

8.7 Audit:

Each department; shall perform periodic reviews of the implementation of this Policy, under the oversight and guidance of the Chief Compliance and Ethics Officer.

Procurement will provide non-compliance reports and notify individuals, managers, and Management as appropriate.

8.8 Governance:

Internal Audit has responsibility for independently auditing the effectiveness of the company's regulatory compliance management program by its performance of routine internal audits in

which compliance with major laws and regulations are regularly tested, and through targeted regulatory compliance audits as warranted.

9.0 DOCUMENT HISTORY

Revision	Date Effective	Comment
00		New SOP.
		The last page of each SOP is a Document History listing that includes each revision number, effective date, and summary of changes corresponding to that revision.
		("Body Text" Style)