

1.0 PURPOSE

The purpose of this Business Practice (BP) is to explain the contract pricing process within the global ERP system that entails the set up and management of contracts as governed by the U.S. and EU Pricing and Contracting Guidelines. All contracts, including country pricing authorization form, must be properly authorized, signed, and provided to the Contract Administration team prior to the execution of this BP.

2.0 SCOPE

This Business Practice applies to the contract pricing process for all Amgen locations.

3.0 ROLES AND RESPONSIBILITIES

Role	Responsibility
Management	Ensure that this procedure is followed and staff receive training
Staff	Complete required training
Contract Administration	<ul style="list-style-type: none">• Create sales deal• Change sales deal• Display sales deal

4.0 REFERENCES

Not Applicable

5.0 DEFINITIONS

Terms	Definition
Capitation Agreement	Billing a customer at a specific amount per month; providing pricing based on performance
Customer Master Alignment (CMA)	Customer database sent to ERP to support electronically creating and changing customers
Flat Payout	The payout is tiered at specific currency amounts; e.g., 100,000 = 25,000 pay; 200,000 = 50,000 pay
Natural Rebates	Accumulated across orders; utility-driven free goods creation
Service Discount	Payment to a third party when invoiced by the vendor and authorized by the customer; e.g., Amgen pays for a dialysis machine when authorized by the hospital
Volume Performance Incentive (VPI)	An off-invoice discount based on tiers, paid on invoiced sales; e.g., \$50,000 = 5%; \$100,000 = 10%

6.0 EQUIPMEN

Not Applicable

7.0 MATERIALS

Not Applicable

8.0 SAFETY

Not Applicable

9.0 PRACTICE

The contract pricing process begins with the appropriate user determining whether or not a sales deal (pricing agreement) does or does not exist in the system. If a pricing agreement does not exist, then the Contract Administrator initiates a new contract in the global ERP system denoted by the contract number. Contract Administration attaches pricing conditions based on the terms of the agreement. Then sales deals are changed or displayed based on the immediate requirement. Where a contract contains rebate terms, Amgen leverages the appropriate rebate process.

This procedure has the following prerequisites:

- Valid customer must be used
- Valid product must be used (one that has been released for the customer)
- Valid pricing must exist
- Valid purchase request must exist

The following steps follow the Contract Pricing procedure in Appendix 1.

9.1 Contract Pricing

9.1.1 Contract Administration

9.2 Create the Sales Deal

- 9.2.1 Creates the contract. Sales deals are created for every customer receiving unique or specific pricing levels. Pricing discounts are determined by applying pricing conditions during the order management process.
- 9.2.2 Creates the pricing conditions based on the type of discount. For example, Capitation Agreement, Customer Master Alignment (CMA), Flat Payout (Euros), Natural Rebates, Service Discount, and Volume Performance Incentives (VPI). Refers to the appropriate pricing guideline as listed in the U.S. and European Pricing and Contracting Guidelines.
- 9.2.3 Classifies sales deals by Customer, Customer Group (category), or Buying Groups (an administrative entity managing a group of healthcare facilities)

9.2.4 Creates a header record with start and end dates, currency, internal description, and identification fields

9.2.5 Selects detailed condition records to set the level of discounts to be provided

9.3 Change Sales Deal

9.3.1 Changes include, but are not limited to, pricing, dates, products, amounts, quantities for free goods, and added customers

9.4 Display Sales Deal

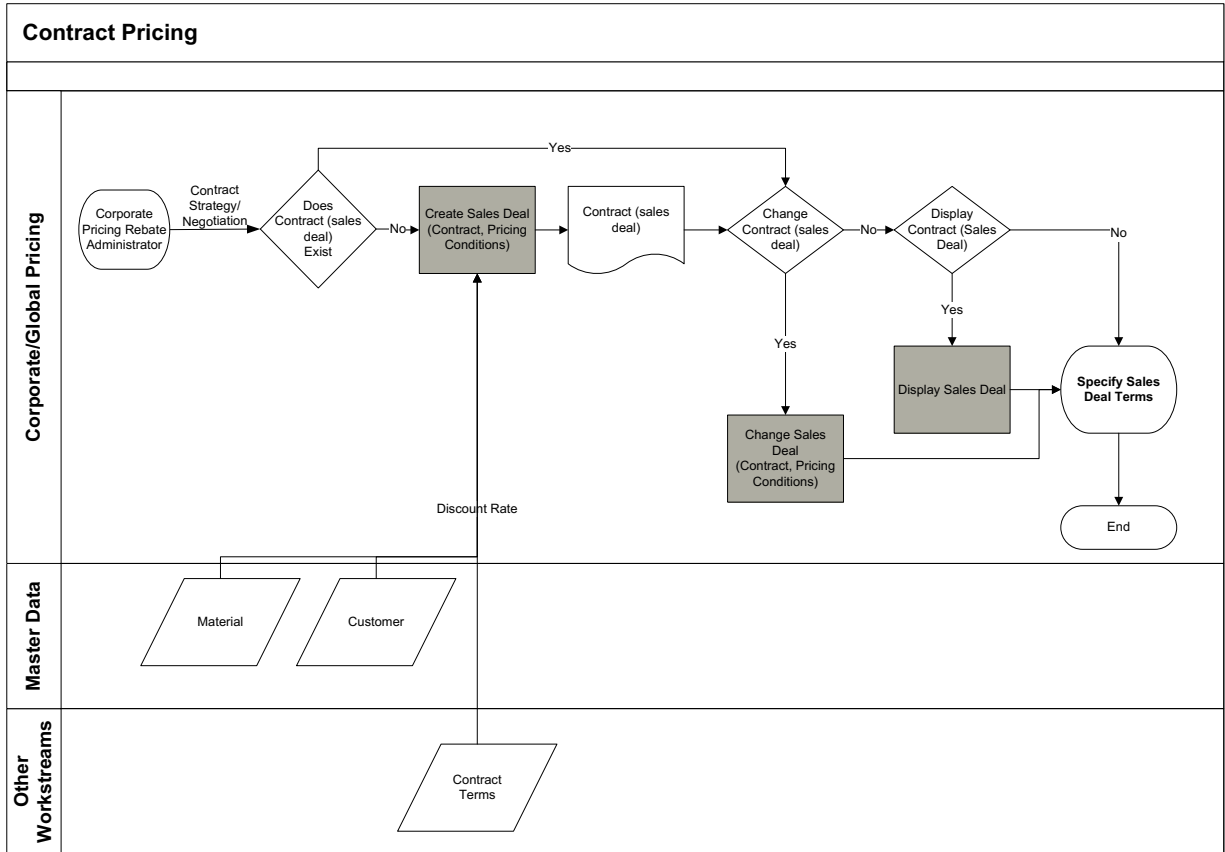
9.4.1 Confirms values

9.4.2 Communicates to customer

9.4.3 Accommodates requests from senior management

APPENDIX 1

Contract Pricing Process



DOCUMENT HISTORY

Change	Justification
1. Migrated document into new BP template	Required for ERP North America implementation
2. 1.0 Purpose—expanded	Revised to accurately reflect the purpose of the document
3. 9.0 Practice—update	Replaced legacy content with current content because procedure has evolved