

SUPPLIER RELATIONSHIP GUIDE



WATSON PHARMACEUTICALS, INC.



TABLE OF CONTENTS

I. INTRODUCTION

**Guide Summary
Overview of Watson Pharmaceuticals, Inc.
Sourcing Strategy
Supplier Standards**

II. HOW ARE GOODS AND SERVICES ORDERED?

**General Purchase Order Guidelines
Additional Documents and Processes**

III. HOW WILL YOU BE PAID?

IV. HOW CAN YOU SUBMIT AND UPDATE YOUR SUPPLIER INFORMATION?

V. WATSON STANDARDS OF CONDUCT

EXHIBITS:

- 1 GENERAL TERMS AND CONDITIONS**
- 2 GENERAL TERMS AND CONDITIONS FOR CONSTRUCTION AND REPAIR**
- 3 GENERAL TERMS AND CONDITIONS FOR EQUIPMENT**

APPENDIXES:

- ✓ “A” Supplier Information Form**
- ✓ “B” Substitute IRS Form W-9 (Request for Taxpayer Identification)**
- ✓ “C” Business Ownership Statement**



Doing Business with Watson

I. INTRODUCTION

Guide Summary

This Supplier Relationship Guide provides important information you will need to do business with Watson and allow your company to participate in the benefits of e-Procurement.

One of our strategic goals is to transact our business in a paperless environment. You will see several options to reduce or eliminate paper invoices, checks, purchase orders, contracts, request for quotation, remittance advice notifications, etc. We believe when you understand the benefits of automating these processes, you will want to participate as fully and as soon as possible. However, we understand that not everyone will immediately be ready to participate with us in our new paperless world. We would like to work with you towards that goal, and are prepared to issue and accept the more traditional paper documents during the interim.

To join us in our journey, all you need is the desire, and access to the Internet. Participation is not mandatory. However, it is the preferred business model for our “Approved Suppliers”.

Each section of this guide will explain the processes, requirements and guidelines.

Please note that there are some things we are asking you to do throughout this guide. Some will be one-time activities and some will be ongoing. **The CHECK MARK symbol shown below will identify the action items that need to be completed.**





Overview of Watson Pharmaceuticals, Inc

Watson Pharmaceuticals is a leading specialty pharmaceutical company that uses innovative science and market insight to develop responsive products for a changing world. Our global infrastructure and extensive internal research and development capabilities provide support and growth for three operating divisions including: U.S. Generics Division, Brand Division, and ANDA Distribution. Watson is a publicly traded company, listed on the New York Stock Exchange under the symbol "WPI". More information can be found about Watson at <http://www.watson.com>.



Sourcing Strategy

As part of a strategic process to optimize the way Watson procures and manages materials and services, the organization has developed a combination of procurement strategies. For example, our centralized efforts have a strong focus on managing quality, service, and reliability, while reducing overall cost and leveraging spend across the organization. Watson's decentralized strategies allow our operating sites to efficiently procure the goods and materials they need from a network of "Approved Suppliers".

"We believe our sourcing strategy not only strengthens and promotes our core organizational goals and objectives, but also supports and benefits the goals of our valued business partners."

Watson typically purchases a broad array of direct, indirect and contract manufactured items. Our procurement activities are segregated into the following three major groups:

- ❖ **Direct** – Includes all the components directly used to manufacture any of the products we sell.

- ❖ **Indirect** – Includes a very wide range of goods and services that are required to support the daily activities of our business, but are not directly included in any of our products.

- ❖ **Contract Manufacturing** – Includes varied products we sell that are manufactured or packaged by our network of qualified Suppliers.



Supplier Standards

Watson seeks suppliers that will actively participate in our business, and through application of a continuous improvement process strive to increase efficiency and suggest ways to mutually decrease costs. Using a cross-functional sourcing methodology, Watson pursues a strategic course of Supplier management.

Watson expects the following basic performance standards from its Suppliers:

- Honors its commitments and delivers high quality goods and services completely and on time.
- Responds promptly and offers cost-effective alternatives.
- Practices the process of continuous improvement to achieve reduced total cost of ownership and increased service and value.
- Conducts business fairly and ethically.
- Always available and willing to assist in new product development, problem resolution, and support.
- Maximizes the utilization of small, minority, and women owned business concerns whenever possible while remaining focused on delivering maximum value for Watson.

In return, Watson's Suppliers can enjoy a relationship with a recognized industry leader.



II. HOW ARE GOODS AND SERVICES ORDERED?

Purchasing Cards – Purchasing cards are used for many low dollar goods and services. When a Purchasing Card is used, a Purchase Order and invoice are not required. Purchasing Cards are also used for online catalog purchases from our Contract Suppliers.

Standard Purchase Orders – Orders not placed with a Purchasing Card will be authorized by a traditional Purchase Order transmitted to you by email or fax.

Services are usually purchased as either:

- ❖ “Time & Materials”, with a statement of work and a not-to-exceed amount.
- OR --
- ❖ “Lump Sum”, with a statement of work and a not-to-exceed amount.

Goods are typically purchased using:

- ❖ Item description or Watson’s internal item number, quantity, price and delivery date. Whenever possible Watson will include our Suppliers part number on Purchase Orders.

Blanket Purchase Orders – In some cases, Watson will issue a Blanket Purchase Order. Blanket Purchase Orders will typically be used for administrative and repair services which are usually unplanned. For Suppliers that are issued a Blanket Purchase Order it is possible to accept requests for goods or services from Watson personnel via phone, fax, or e-mail. Watson will issue Blanket Purchase Orders before the goods are shipped or services are performed. All Blanket Purchase Orders will include a validity period and list the Watson Representative authorized to make releases against the order. In this situation, the Watson Representative will reference the Blanket Purchase Order when an order is released.

NOTICE:

Purchasing cards, Purchase Orders and Blanket Purchase Orders are the only means of authorizing payment approved and recognized by Watson. Suppliers may not accept orders from any Watson employee unless one of the approved methods is used.



General Purchase Order Guidelines

For all Purchase Order transactions, you must receive an electronic or hard copy Purchase Order. All Purchase Orders will require Supplier acceptance and signature. Every Purchase Order issued by Watson will include a dedicated fax number or an e-mail return address for the Buyer. Purchase Order acknowledgements must be faxed or e-mailed to this number before you may ship any goods or provide any services to Watson

You must verify your compliance with all Purchase Order details including price and terms prior to shipment or delivery. Do not ship any goods until all discrepancies on the Purchase Order have been corrected and you receive a revised Purchase Order. Watson's General Terms and Conditions contained in this guide and posted on <http://www.watson.com>, will apply to all Purchase Orders, unless unique terms and conditions are negotiated separately and documented for a particular Purchase Order or a separate controlling contract exists with Watson.

At times, you may have more than one active Purchase Order in effect. It will therefore be important that you use the appropriate Purchase Order number to ensure proper receipt and prompt payment. You must clearly include the Purchase Order number in all shipping documents, packaging, invoices, and other written communication. Use of an incorrect Purchase Order will result in delayed processing of your invoice.



Additional Documents and Processes – From time-to-time Watson may use documents, other than a standard Purchase Order, to conduct business. For example:

❖ **Request for Quote** – A Request for Quote (RFQ) will be generated in situations where Watson has a requirement for either a single purchase or a requirement to develop a specific term contract with a Supplier for specific goods or services.

❖ **Request for Proposal** – A Request for Proposal (RFP) may be used to establish a competitive basis for evaluation of complex or critical purchases of goods and services. The intent of the Request for Proposal process is to combine the aspects of both bidding and negotiating. A Request for Proposal will typically be utilized to solicit proposals from potential suppliers when additional development work will be required for a definitive supply or service agreement.

❖ **Value Contract** – Value Contracts are used to document unit cost for specific materials or services for a predetermined period. All Value Contracts will include a forecasted requirement for each line item and a total forecasted value. They may include specific terms and conditions for performance. A Purchase Order will be used to authorize the release against a value contract.



III. HOW WILL YOU BE PAID?


All Supplier invoices and payment inquiries are to be mailed or faxed to:

Watson Laboratories, Inc.
PO Box 1149
Corona, CA 92878-1149
Attn: Accounts Payable Department

Fax 951-493-5822

Invoice Requirements:

1. All paper invoices should clearly display the Watson Purchase Order number.
2. An invoice that does not display a valid Purchase Order Number, or is otherwise not in specific conformance with the price, terms, and conditions of the Purchase Order, will be mailed back to the Supplier for amendment or correction. Requests for verbal adjustments will not be accepted. In the event an invoice must be resubmitted pursuant to this section, time for payment will be calculated based upon the date of receipt of the final, valid, and accurate paper invoice.
3. Electronic Funds Transfer (EFT) is Watson's preferred method of payment. However, if you prefer, manual checks can be mailed to a remittance address.

 To obtain payment from us using the efficient EFT process, please complete the EFT information contained in the Supplier Information Form in Appendix - A.

A Remittance Advice for the transaction will be sent to you via email or fax (if you have selected the EFT payment option) or in the form a check stub (if you still wish to receive manual checks). For EFT payments of paper invoices, your actual invoice number will appear in the Invoice Reference Number field for your reconciliation.



IV. HOW CAN YOU SUBMIT AND UPDATE YOUR SUPPLIER INFORMATION?



New Suppliers

New Suppliers will be directed by Watson to submit the forms in “Appendix A, B and C” to the Watson Buyer. Upon receipt and review, the Buyer will transmit your information to Watson’s Master Data Maintenance Team. The Team will assign a Supplier Number and the Buyer will then be able to issue Purchase Orders and Contracts to your Company.

Prospective Small and Diverse Suppliers

Watson encourages the participation and use of small, minority, and women owned business concerns. Please ensure your certification is up to date and available on SBA/Supplier Diversity web site (<http://pro-net.sba.gov>).

Updates and Changes for Existing Suppliers

It is critical that we have your correct company information on file. Changes to your company information must be submitted on the form(s) in the Appendix to our Supplier Master Data Maintenance Team.

V. WATSON STANDARDS OF CONDUCT

All employees involved in purchasing activities will work to maintain and enhance Watson’s image through their personal conduct and business ethics. No employee shall permit any influence that could conflict with the best interest of Watson or reflect poorly on Watson’s image. Individuals who represent Watson to suppliers must be beyond challenge or reproach in every business transaction, must avoid even the appearance of impropriety, and must not allow themselves to be put into a position where their judgments could be influenced.

*Any questions or concerns regarding the enforcement of this policy may be directed to the
Director, Strategic Purchasing, for (“Indirect” Products and Services)
Director, Material Sourcing, for (“Direct” Material Purchases)
or contact the
Human Resources Department
Watson Pharmaceuticals, Inc
(951) 493-5000*