# Table of Contents

**Letters** 3  
Larry Merlo, President and CEO 3  
Eileen Howard Boone 5  
SVP, CSR & Philanthropy  

**CVS Health Corporate Profile** 7  

**Prescription for a Better World** 11  
Our CSR Strategy 13  
CSR Governance 16  
Our Pillar Framework 17  

**Health in Action** 19  
Accessible and Affordable Health Care 21  
Support for Patients with Chronic Disease 29  
Patient and Customer Well-being and Safety 36  

**Planet in Balance** 47  
Sustainable Operations 49  
Sustainable Products and Packaging 66  
Internal and External Engagement 70  
Around Sustainability Vision  

**Leader in Growth** 75  
Safe, Rewarding and Inclusive Workplace 78  
Regulatory Compliance and Voluntary Standards Are Met or Exceeded 93  
Supply Chain Responsibility 101  

**About this Report** 111
Our Prescription for a Better World

Helping people on their path to better health

2015 Corporate Responsibility Report
Dear Stakeholders,

With health care costs rising and the market evolving rapidly, patients, payors, and providers are each presented with challenges as they look to lower health care costs, enhance quality and maintain access to care. We believe no one is better positioned than CVS Health to respond to these challenges, as well as those that millions of Americans face throughout their lifetimes. Our leading capabilities span retail pharmacy, pharmacy benefits, specialty, infusion, medical benefits, retail clinics, and long-term care. Moreover, we offer more ways to touch patients and improve health outcomes than any of our industry peers.

Our company purpose is helping people on their path to better health and serves as the lens through which we make our business decisions. Our purpose also guides us in ensuring that our corporate social responsibility (CSR) commitments align with our enterprise growth strategy. This includes the work we do every day to make quality health care more affordable, more accessible, and more sustainable.

Our Prescription for a Better World framework is integral to fulfilling our purpose and serves as the organizing principle of our annual CSR Report – now in its ninth year. It is supported by three pillars: Health in Action, Planet in Balance and Leader in Growth. The Health in Action pillar of our framework covers our core focus areas of helping patients prevent and manage chronic disease, ensuring quality and safety of care, and leveraging our growing size and scale for the benefit of our patients and customers.

In 2015, we continued to focus on innovations that increase affordability and access to care, including the deployment of telehealth, and launched a suite of digital pharmacy tools to help make medication adherence easier and more convenient. To make it more convenient for our customers to access healthier on-the-go snacks, we continue to expand our Gold Emblem Abound™ line, which grew from the 40-plus choices introduced in 2014 to more than 100 products today. We also advanced our commitment to create a tobacco-free generation, and launched several new partnerships aimed at reducing the national youth smoking rate. And finally, we continued our work to reach underserved populations through our Project Health events, which over the course of a decade have reached more than 750,000 patients with much-needed health care services totaling a value of nearly $80 million.

Our Planet in Balance pillar of our framework outlines our commitment to assessing and reducing our direct and indirect environmental impacts. Three years ahead of schedule, we surpassed our target of reducing our greenhouse gas (GHG) intensity by 15% per square foot of retail space by 2018, achieving a 16% reduction by year-end 2015. We are applying key learnings from green building practices in new store designs and retrofits, and made tremendous progress in 2015 in converting a significant percentage of our stores to more efficient light-emitting diode (LED) lighting.

Our Leader in Growth pillar guides us in operating our business with integrity and implementing best-in-class workplace practices. In 2015, we continued to support former service members and their families who are moving into private-sector jobs. In fact, we are on track to open a first-of-its kind skill development and hiring center near Fort Bragg in 2016 to assist with this effort. We also continued to help people transition from public assistance to meaningful jobs and career paths through workforce programs, an initiative that began in 1999. This year we will reach a milestone of helping 100,000 people make this transition. And finally, we have strengthened our supplier diversity program and grew the volume...
of purchases from diverse suppliers. CVS Health’s leadership in workforce development also garnered national attention during President Barack Obama’s annual 2015 State of the Union address. During his remarks, the President asked businesses to follow our company’s lead and offer more educational benefits and paid apprenticeships.

We do all this with the support and oversight of our Board of Directors, who provide feedback on our CSR strategy and ongoing commitments. In addition to engaging our Board members, we have also been engaging with a broad range of stakeholders to better understand the expectations they have of our company. This report is meant to provide detail and explanation for the benefit of all our stakeholders. I hope you will take the time to read this report, and learn more about our continued commitment to play a leadership role in shaping the future of health care.

Sincerely,

Larry Merlo
President and Chief Executive Officer

“Our purpose guides our Prescription for a Better World, including the work we do every day to make quality health care more affordable, more accessible and more sustainable.”
Our Journey

Nearly 10 years ago, our company embarked on a journey to formally define and shape our approach to corporate social responsibility (CSR). We have come a long way, and we are driven by a strong belief that our purpose of helping people on their path to better health is not just about social and environmental responsibility, but also a way to achieve our long-term growth plans and economic success. We are fortunate to have a wide circle of supporters – stakeholders who care about CVS Health and actively encourage us to advance our CSR commitments. Engagement is key to maintaining and strengthening these relationships.

In 2015, we continued to engage with external stakeholders, including nonprofits in the health and wellness arena, sustainability experts and influencers, champions for supply chain responsibility, socially- and sustainability-minded investors, industry organizations, governmental agencies, and our industry and corporate peers. We also listen carefully to our colleagues, customers and patients to understand their concerns and expectations. We have received feedback on topics ranging from affordable health care solutions, to the sustainability of the products we carry on our shelves, and our presence in and contributions to our local communities, among others. As a member of Ceres, a leader in advocacy for the adoption of sustainable business practices among companies, we had the benefit of participating in our first Ceres-led, multi-stakeholder engagement this year. This process allowed us to hear diverse points of view on our CSR strategy, performance and reporting. In addition, I have spent much of this year meeting with CVS Health colleagues around the country and continuing the dialogue with many organizations on how we can help people lead healthier lives.

Stakeholder engagement has also helped inform our most recent CSR materiality assessment, including prioritization of our material issues, and defining the content for our 2015 CSR Report. There are a number of other inputs that inform our CSR material issues, such as the impacts on society or the environment, reputational drivers, risks to our company, opportunities to grow our business, and whether we have a reasonable level of control or influence over the issue. I also benefit from the guidance
“I see so many opportunities for our CSR strategy to play a bigger and more significant role in supporting our business, while delivering more value to our communities and stakeholders.”

We are driven by a strong belief that our purpose of helping people on their path to better health is not just about social and environmental responsibility, but also a way to achieve our long-term growth plans.

As I look ahead to the next 10 years, I see so many opportunities for our CSR strategy to play a bigger and more significant role in supporting our business, while delivering more value to our communities and stakeholders. I hope you will take the time to review this report and share your feedback with us at CSR@CVSHealth.com.

Sincerely,

\[ Signature \]

Eileen Howard Boone
SVP, CSR & Philanthropy
CVS Health Corporate Profile

CVS Health (NYSE:CVS) is a pharmacy innovation company helping people on their path to better health. At the forefront of a changing health care landscape, we have an unmatched suite of capabilities and the expertise needed to drive innovations that will help shape the future of health.

We are the only integrated pharmacy health care company with the ability to impact consumers, payors, and providers with innovative, channel-agnostic solutions to the complex challenges of managing costs and care.

Through our retail pharmacies, walk-in medical clinics, a leading pharmacy benefits manager, a dedicated senior pharmacy care business, and expanding specialty pharmacy services, we enable people, businesses, and communities to manage health in more affordable, effective ways.

Our Operations and Supply Chain
CVS Health is headquartered in Woonsocket, Rhode Island. We employ 243,000 colleagues in 50 U.S. states, the District of Columbia, Puerto Rico and Brazil. As of December 31, 2015, we operated approximately 9,600 retail pharmacies (CVS Pharmacy, including locations within Target stores); more than 1,100 walk-in medical clinics (MinuteClinic™); 24 retail specialty pharmacy stores and 11 specialty mail order pharmacies (CVS Specialty); five mail service dispensing pharmacies; 32 onsite pharmacy stores; 83 locations for infusion and enteral services, including 73 ambulatory infusion suites and six centers of excellence; and our proprietary websites to support these businesses. More detailed information on our business model may be found here.

During 2015, we opened 161 new retail pharmacy stores and added 85 new MinuteClinic locations. We also acquired the pharmacy and clinic businesses of Target, which include Target’s more than 1,670 pharmacies and nearly 80 clinic locations, and Omnicare, the nation’s leading provider of pharmacy services to the long-term care market. The newly acquired Target and Omnicare entities are not included in the boundaries of this CSR report, unless otherwise noted.

We work with vendors and manufacturing suppliers inside and outside the United States to supply our store and proprietary brands, which comprise approximately 21.3% of our front-of-store revenue. The remaining 78.7% of front-of-store revenue is derived from the sale of national brands, which are manufactured by third-party suppliers and sold at our retail pharmacies and online.

Financial Results and Economic Impact
In 2015, CVS Health’s net revenues were approximately $153 billion, operating profit was nearly $9.5 billion, and diluted earnings per share from continuing operations were $4.62.

Our employees earned $8.7 billion in employee wages and $1.2 billion in benefits. We made payments to providers of capital of $2.2 billion and paid $4.4 billion in income, property and employer taxes in the United States. Our charitable contributions, employee giving, in-store fundraising, and in-kind donations totaled $84 million.
$84M
in charitable contributions, in-store fundraising, employee giving, and in-kind donations

9.6K
CVS Pharmacy retail pharmacies

CVS Pharmacy filled 21.6% of all the retail prescriptions in 2015 to lead the U.S. retail drugstore market

Gross new business wins to start 2016

- 84% Health Plan
- 12% Employer
- 4% Government

Total $14.8B

98% client retention rate, $12.7B net new business

Target Acquisition

1,670+ pharmacies
and nearly 80 clinics

We opened 161 new retail pharmacy stores and added 85 new MinuteClinic™ locations

Stockholder Value Add

<table>
<thead>
<tr>
<th></th>
<th>FY 15</th>
<th>FY 14</th>
<th>FY 13</th>
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<tbody>
<tr>
<td>Dividends paid to shareowners</td>
<td>$6 billion</td>
<td>$5 billion</td>
<td>$5 billion</td>
</tr>
<tr>
<td>Stock price at year-end</td>
<td>$97.77</td>
<td>$96.31</td>
<td>$71.57</td>
</tr>
<tr>
<td>Salaries and colleague benefits</td>
<td>$9.9 billion</td>
<td>$9.3 billion</td>
<td>$9.2 billion</td>
</tr>
<tr>
<td>Diverse supplier spend</td>
<td>$913 million</td>
<td>$700 million</td>
<td>$300 million</td>
</tr>
<tr>
<td>Community investment</td>
<td>$84 million</td>
<td>$90 million</td>
<td>$75 million</td>
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</table>
When you start with heart, everything comes together.

Our extensive suite of assets positions CVS Health to play an important role in solving the cost, quality, and access issues of an evolving health care market.

When it comes to tackling health care’s ongoing challenges, more innovative offerings are definitely needed. That’s why CVS Health has assembled the most comprehensive suite of assets in the business. Think of us as a “category of one.” You may know the CVS name best for our convenient CVS Pharmacy® locations, but we are also a leader in pharmacy benefits, specialty pharmacy, infusion, retail clinics, and now long-term pharmacy care. This combination has allowed us to partner more broadly across the health care landscape than our competitors, forging strong connections with patients, payors, and providers alike. And it has led to integrated and groundbreaking adherence solutions such as Maintenance Choice®, Specialty Connect™, and Pharmacy Advisor®. Across our enterprise, deep clinical expertise and insights enable us to deliver superior outcomes at a lower cost. Moreover, no one possesses the business-to-business and business-to-consumer capabilities of CVS Health. That gives us an edge in an increasingly consumer-directed health care environment.
At more than 1,100 MinuteClinic® locations, our nurse practitioners and physician assistants diagnose and treat minor health conditions, perform health screenings, monitor chronic conditions, provide wellness services, and deliver vaccinations.

Our Coram® business is one of the nation’s largest providers of comprehensive infusion services. It cares for 140,000 patients annually through a national network of more than 85 locations as well as the largest home infusion network in the United States.

Omnicare® is a leading provider of pharmacy services to the long-term care market. Acquired in 2015, it enhances our service offerings to address the needs of an aging population across the continuum of senior care.

The NovoLogix® platform allows us to manage claims for drugs covered under the medical benefit with the same precision we apply to pharmacy benefits. Such drugs are usually administered in a physician’s office, an infusion suite, or a patient’s home.

Our unique clinical programs help patients stay on their prescribed therapies. Unmatched business-to-consumer experience helps bring these programs to life, ensuring appropriate utilization, improving outcomes, and lowering overall health care costs.

CVS Specialty™ supports individuals with chronic or genetic diseases who require complex and expensive drug therapies. The nation’s largest specialty pharmacy, we operate 24 retail specialty pharmacy stores and 11 specialty mail order pharmacies.

Innovative CVS Caremark® plan designs help minimize client costs while improving health outcomes for 75 million plan members. We operate five mail order pharmacies and offer broad capabilities that include formulary management and clinical services.

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Prescription for a Better World
How do we fulfill our Prescription for a Better World CSR strategy? It starts with our company purpose. CVS Health is committed to helping people on their path to better health. Because we want to focus our resources in the most appropriate and impactful manner, we work hard to identify the issues that are most material. We do this by considering the needs and expectations of our stakeholders, determining our risks and opportunities, evaluating the level of control or influence we have over specific issues, and weighing the relevance of each issue against our purpose and our business model. CVS Health conducted a comprehensive materiality assessment in 2013 and followed up in 2015 with a more streamlined process. It confirmed that the key issues we face have essentially remained the same.

Three key pillars support our strategy: Health in Action, Planet in Balance, and Leader in Growth. Through Health in Action, we bring quality health care that is affordable and accessible to our communities. Planet in Balance captures our focus on operating an environmentally sustainable business. Leader in Growth highlights the value we place on conducting business with integrity. Each pillar is supported by strategic priorities, goals and measurable targets, some of which have evolved since the publication of our 2014 CSR Report.

We have also aligned our strategy with two of the United Nations Sustainable Development Goals: first, to ensure healthy lives and promote well-being for all at all ages; and second, to promote sustained, inclusive and sustainable economic growth, full and productive employment, and decent work for all. We are currently evaluating the performance indicators for these goals to determine which indicators we can report against in the future.
CSR Governance

At CVS Health, CSR governance begins with the Board of Directors and our president and CEO, Larry Merlo, to ensure we are conducting our business responsibly, delivering on our purpose and executing our business strategy across the enterprise.

Our senior vice president (SVP) of CSR & Philanthropy is responsible for driving our Prescription for a Better World strategy and working with our leaders to align it with our business objectives, as well as collaborating with leaders throughout the company on specific programs and initiatives.

The Nominating and Corporate Governance Committee of our Board of Directors, pursuant to its charter, is formally charged with oversight of our CSR strategy and performance. The SVP of CSR & Philanthropy regularly updates the Committee on CSR and sustainability risks and opportunities and the Committee provides feedback and direction on our approach to key issues, particularly issues that may pose risks to people’s health or to the accessibility of quality and affordable care. Finally, the Board reviews the annual CSR Report before it is released for publication.

Each pillar of our Prescription for a Better World has an executive sponsor. Our SVP of CSR & Philanthropy meets regularly with the pillar sponsors to ensure our CSR strategy is progressing and remains aligned with our business objectives.

Accountability for driving performance falls to senior management within each pillar area. These managers are regularly engaged by the CSR team to get progress updates and identify emerging risks or potential opportunities that may call for adjustments in approach or strategy.
## Our Pillar Framework

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<tr>
<th>Pillar</th>
<th>Strategic Priorities</th>
<th>Goals</th>
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<tbody>
<tr>
<td>Health in Action</td>
<td>Accessible and Affordable Health Care</td>
<td>Increase our reach through our network of integrated care</td>
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<tr>
<td></td>
<td>Support for Patients with Chronic Disease</td>
<td>Increase access to affordable health care options for underserved populations</td>
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<tr>
<td></td>
<td>Patient and Customer Well-being and Safety</td>
<td>Expand chronic disease management, cessation services and support programs</td>
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<td>Improve colleague health</td>
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<td></td>
<td></td>
<td>Provide outstanding clinical and service performance</td>
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<td></td>
<td></td>
<td>Maintain continued focus on quality and services</td>
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<td></td>
<td></td>
<td>Ensure safe disposal of medication and combat prescription drug abuse</td>
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<td></td>
<td></td>
<td>Help create a tobacco-free generation</td>
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<td></td>
<td></td>
<td><strong>5-year targets:</strong></td>
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<tr>
<td></td>
<td></td>
<td>• Reach five million youth with tobacco-free messaging</td>
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<td></td>
<td></td>
<td>• Double the number of tobacco-free educational institutions</td>
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<td></td>
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<td>• 10% decline in new youth smokers</td>
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<td>• 3% decline in the youth smoking rate</td>
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<tr>
<td>Pillar</td>
<td>Strategic Priorities</td>
<td>Goals</td>
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<tr>
<td>Planet in Balance</td>
<td>Sustainable Operations</td>
<td>Reduce the environmental impacts resulting from our operations</td>
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<td>Multi-year targets:</td>
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<td>• Reduce carbon intensity by 15% per square foot of retail space by 2018</td>
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<td>• Reduce water use in retail operations for new construction by 20% by 2020</td>
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<td>• 100% of paper procured is sustainably sourced by 2020</td>
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<td>Sustainable Products and Packaging</td>
<td>Increase the availability of healthy and sustainable products</td>
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<td>Internal and External Engagement Around Our Sustainability Vision</td>
<td>Improve the sustainability of our supply chain</td>
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<td>Safe, Rewarding and Inclusive Workplace</td>
<td>Increase opportunities for engagement with stakeholders (colleagues, customers and clients) around sustainability through volunteerism, training and education</td>
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<td>Regulatory Compliance and Voluntary Standards Are Met or Exceeded</td>
<td>Create a best-in-class workplace</td>
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<td>Multi-year targets:</td>
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<td></td>
<td></td>
<td>• Increase participation in Colleague Resource Groups to 10% of our workforce by 2025</td>
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<td>• Increase the number of hours our colleagues volunteer by 10% year-over-year</td>
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<td></td>
<td>Supply Chain Responsibility</td>
<td>Ensure the diversity of our colleagues represents the diversity of our customers and local communities</td>
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<td></td>
<td></td>
<td>Ensure that policies and processes are in place to meet or exceed regulatory standards</td>
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<td></td>
<td></td>
<td>Embed diversity within our supply chain</td>
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<td></td>
<td></td>
<td>Multi-year target:</td>
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<tr>
<td></td>
<td></td>
<td>• $1 billion spend on Tier I suppliers by 2017, or 10% of our total sourceable procurement spend</td>
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At CVS Health, we believe that health is everything. And, despite the millions of Americans who are newly insured, there continue to be people who lack access to quality health care. We are also living in a time in which our aging population requires more services, we have a national epidemic of obesity, and diabetes and other chronic illnesses continue to stress our health care system.

CVS Health is a pharmacy innovation company with a simple and clear purpose: helping people on their path to better health. Our business strategy is focused on expanding our role in health care services in ways that improve the accessibility, affordability, and delivery of quality health care. As our company grows, so do expectations that CVS Health will continue to innovate, developing new products and services that meet the evolving health care needs of patients and customers.

Our approach to social responsibility is described in our Prescription for a Better World framework, which contains a number of strategic priorities, including commitments to make quality health care affordable and accessible, support patients with chronic diseases, and ensure the well-being and safety of patients and customers.

In this section we explain how and why these commitments are central to our purpose, integral and material to our business, and the backbone of our Health in Action pillar. The section is divided into three parts:

- Accessible and affordable health care
- Support for patients with chronic disease
- Patient and customer well-being and safety
Accessible and Affordable Health Care

With 320 million Americans needing medical care, accessible and affordable health care options are needed more than ever. At CVS Health, we believe we have an important role to play in meeting those needs.

Where many Americans see barriers to accessing quality and affordable care, we see opportunity to provide a broader spectrum of services that meet diverse needs, and educational resources to help patients navigate the medical neighborhood. Over the past decade, we have grown from our pharmacy foundations to offer health care services to more than 100 million people each year. Through our integrated business model, we have the unique opportunity to impact patients, payors and providers, and we are leveraging our reach to provide accessible, quality health care options at affordable costs.
Focus: Affordable and Accessible Health Care

As more people access the health care system, CVS Health is working to meet the demand for services by expanding the reach and scope of affordable care through our integrated health care model. Our model includes traditional pharmacy and health care services, as well as a growing spectrum of services made possible by new technologies – all designed to serve patients and customers beyond the brick-and-mortar site.

Offering Quality and Affordability at MinuteClinic

The rapid growth of retail medical clinics has brought health care right into local neighborhoods, improving access for millions of Americans. MinuteClinic, the largest provider of retail health care, is playing a big part in this expansion. Our objective is to provide quality care to millions of Americans while keeping our prices as close to cost as possible with most services available for less than $100 and more than 80% covered by insurance.

MinuteClinic is the only retail health care provider to receive four consecutive accreditations from The Joint Commission, the national evaluation and certifying agency for nearly 20,000 health care organizations and programs in the United States. The Joint Commission’s Gold Seal of Approval® demonstrates MinuteClinic’s compliance with the organization’s national standards for ambulatory health care quality and safety.

With more than five million patient visits in 2015, MinuteClinic added 85 new locations, including in two new states, Maine and Kentucky, as well as our first in a Navarro Drug Store in Florida. By year-end, there were more than 1,000 MinuteClinic locations in 33 states and the District of Columbia.

Broadening Our Services at MinuteClinic

Health care providers throughout the United States are experiencing a similar phenomenon. Demand for their services is exploding while, at the same time, they are struggling to keep pace with the demand. This prompted us to consider how MinuteClinic can help fill the gap, beyond our traditional suite of services. For example, in 2015, we began offering care for gastro-
intestinal illness, muscular skeletal pain, and headaches. In 2016, we will launch women’s health services, including contraception counseling as well as first-trimester wellness checks for pregnant women.

**Expanding MinuteClinic’s Reach through Telehealth**
As the U.S. population continues to embrace online and mobile platforms, we are investing in advanced technologies to enhance and extend telehealth – the delivery of health care using electronic and telecommunications technologies – and other emerging digital health care opportunities. Our goal is to use technology to provide the same convenient, affordable and quality care offered in our MinuteClinic locations to an expanded group of patients.

Our initial pilots in California and Texas demonstrated that we could use telehealth to deliver high-quality care and achieve high levels of patient satisfaction based on quality, convenience, and effectiveness. Moreover, about 20% of the telehealth visits provided access to care for patients who live beyond our pre-existing footprint.

We also began to work with direct-to-consumer telehealth providers in 2015, including American Well, Doctor on Demand, and Teladoc, to improve and expand the care of patients at home. As a first step, we initiated several new pilots, including how to make telehealth physician care accessible through digital platforms. Another pilot is exploring the potential of expanding the scope of care offered at MinuteClinic by having our practitioners consult with telehealth physicians. We are also testing whether our retail stores can serve as sites for in-person exams to facilitate telehealth medical visits.

In total, we conducted approximately 7,500 telehealth visits in 2015.

**Meeting the Needs of Diverse Populations**
Through the expansion of MinuteClinic locations and services, we are reaching a more diverse group of patients, and we are refining our ability to meet their needs.

For example, when we opened our first MinuteClinic in a Navarro location, we added Spanish-language options to kiosks and ensured the clinic’s nurse practitioners were bilingual. Navarro is a 33-store pharmacy chain, which CVS Health acquired in 2014, serving the Hispanic community in south Florida. We see this first foray by MinuteClinic as an opportunity to better serve the Hispanic community, whether through additional MinuteClinic locations and services, or through the 12 CVS Pharmacy y mas stores we opened in 2015. Eventually, we hope to expand beyond this region to other markets with sizable Hispanic populations.

In 2015, MinuteClinic also focused on improving accessibility for patients with visual, hearing, and other disabilities. This included providing live sign language interpreters upon request and helping to ensure that patients with visual impairments received treatment and vital information in accessible formats. We are also exploring the most effective method to obtain accurate weight measurements for patients who rely on wheelchairs.

**Bringing Optical and Audiology Services to CVS Pharmacy**
As we broaden our scope of health care services, we are testing a model to conveniently provide audiology and optometry services to our patients in select CVS Pharmacy locations. Clinical services at our optical centers are provided under an optometrist’s care up to five days a week and our hearing centers are under the direction of licensed audiologists or hearing instrument specialists. As part of their end-to-end service, the centers diagnose, treat, and manage acute and chronic eye disease and hearing loss, conduct exams, write prescriptions, and provide a selection of eyewear or hearing aids, as well as related products and services for children and adults. The first optical centers opened in 2015 with five stores in Baltimore. Seven hearing centers were opened in Dallas and Cleveland.

**Making Prescription Drugs and Services More Affordable**
In 2015, medication costs continued their upward trend, driven primarily by the ongoing forces of brand price increases as well as the rise in the availability and utilization of specialty drugs. The proportion of high-priced specialty prescriptions has grown 22% over the last four years. Over the same time period, 103 new specialty drugs entered the market, and the U.S. Food and Drug Administration approved 118 new indications for existing products.

At CVS Health, we are focused on understanding the dynamic market forces that are causing these increases. More importantly, we are using our size and scale in the marketplace, through our retail and specialty pharmacies, our PBM business, and our recent integration of Omnicare to introduce cost management strategies that enable us to negotiate better prices and bring down costs for our patients, clients, and plan members.

For example, we led the industry with our formulary strategies that incorporate selective drug coverage, tiering, and utilization management to drive cost-effective solutions while providing clinically appropriate alternatives for members. Most classes of drugs have multiple generic and low-cost brand options that cover the same indications and are as safe and effective as brand options in the same class.

We also believe that managed network options can help reduce prescription costs while still offering members excellent access. In today’s marketplace, cost-conscious members are receptive to narrower network options, which may offer them fewer choices of where to fill their prescriptions but result in lower costs for every fill.
We closely monitor new medications that are projected to be available, such as the new hepatitis C and cholesterol drugs that came to market in 2015. We know that the cost of medications will continue to be a critical factor in health care, and we are committed to assisting our clients with strategic management from day one, while also promoting best value and adherence strategies to achieve better outcomes and lower costs.

Reaching Diverse Communities through Project Health
CVS Health is committed to helping people who may not have the resources to pay for medical care to connect to preventive health services. Now in its tenth year, Project Health offers preventive health screenings, including glucose, blood pressure, total cholesterol, and BMI evaluations, free of charge. In 2015, we reached nearly 89,000 participants through 1,113 Project Health events, which took place in 793 CVS Pharmacy stores across the country, and 23 events held in Puerto Rico. Services provided through Project Health were valued at $8.8 million in 2015.

In addition to the screenings noted above, participants in a Project Health event during 2015 were offered consultations with a nurse practitioner as well as a CVS pharmacist, including
smoking cessation counseling, diabetes resources, a referral directory for participants who did not have a primary care physician, and one-on-one counseling on health insurance options for the uninsured or underinsured.

Given the prevalence of diabetes among the underserved communities that Project Health reaches, we partnered with Novo Nordisk in 2015 to provide diabetes counseling and offered additional resources at our Project Health events. We are now exploring opportunities to expand our partnerships so more in-person support for treatable conditions can be provided at these events.

Supporting Health Care in Our Communities

At the heart of our purpose of helping people on their path to better health is our commitment to supporting the communities we serve. In 2015, we provided $84 million in charitable support through the CVS Health Foundation, corporate grants, gifts in-kind, and employee giving and fundraising.

We focus our investments in the area of health care, specifically to increase access to health care for underserved populations as well as to support innovative approaches to chronic disease management, population health management, and smoking cessation and youth tobacco-prevention. We make strategic investments that maximize our impact through increased capacity, improved health outcomes, lower overall health care costs, and identification of innovative health care models that can be replicated.

It is our goal to partner with best-in-class organizations that are subject-matter experts in their field and deliver meaningful results. For example, we have multi-year, multi-million dollar partnerships with the National Association of Free and Charitable Clinics and the National Association of Community Health Centers that are focused on addressing the critical need for more accessible, coordinated health care in communities across the country.

In 2015, the CVS Health Foundation provided a total of 55 grants that have since made meaningful progress toward their goals of improving care coordination, managing chronic conditions, and increasing access to care. Critical results from the Foundation funding include:

- **The Free Clinic of Central Virginia** (Lynchburg, VA) reduced their average patient waiting time between receiving a referral and comprehensive services from 30 days to 10 days. The Clinic was also able to reduce the number of hospitalizations for chronic obstructive pulmonary disorder by 51%, surpassing their original goal of 33%.

- **St. Mary's Health Wagon** (Wise, VA) saw a blood pressure reduction in 66% of their patients with hypertension or diabetes mellitus, which surpassed their initial goal of 50%.

- **Community Care Clinic of Rowan County** (Salisbury, NC) saw 86% of participants in their smoking cessation program completely quit smoking, which far surpassed the original goal of 15%.

- **In the Corpus Christi (TX) Metro Ministries' smoking cessation program,** 51% of the participants reduced tobacco use.

- **As a result of the Cornerstone Assistance Network's (Fort Worth, TX) program** that raises awareness about how to prevent diabetic peripheral neuropathy through diabetes management, 32% of program patients showed a 10% or more decrease of hemoglobin A1C, a measure of blood glucose levels, surpassing their 20% goal of program patients.

We also support our own colleagues in times of need. In 2015, the CVS Health Employee Relief Fund (ERF), a public charity created to support CVS Health employees, reached the milestone of donating more than $1 million to colleagues in need in 2015. The ERF provides short-term, immediate financial relief to colleagues who have suffered significant hardship as a result of a natural disaster, family death, medical emergency, or other unforeseen events.

In addition, our colleagues bring our purpose and our values of caring and collaboration to life through their spirit of volunteerism. In 2015, colleagues donated more than $1.5 million in value of volunteer hours and nearly $1 million to causes they care about most.

Supporting Our Patients During Natural Disasters

When severe weather is approaching, the last thing patients may worry about is the medication they will not realize they need until they cannot get to the pharmacy. In October 2015, we partnered with the U.S. Department of Health and Human Services to run a proactive, severe weather alert in response to the potential arrival of Hurricane Joaquin. CVS Pharmacy quickly devised an outreach plan focused on patients serviced by our nearly 300 pharmacies located in the storm alert path. Within 36 hours, our team put technology to work, delivering more than 500,000 automated voice and text messages to patients on maintenance medications recommending they check their supplies, call their pharmacist with questions, or visit their pharmacy before the storm intensified. We anticipate conducting similar campaigns when severe weather events are forecast and patients could be impacted.
Focus: Educational Resources to Help Patients

Since the introduction of the Affordable Care Act, patients have been playing an increasingly active role in health care decisions related to access, services and costs. We believe there is a need to educate patients and give them the tools to navigate the health care system, understand their health insurance options, explore preventive care options and ultimately, make informed decisions.

Helping People Navigate the Health Care System

Navigating the health care system can be daunting for many patients, and patients need a medical neighborhood to ensure that they are getting complete and coordinated care. That is why CVS Health is collaborating with the nation’s eight leading family medicine organizations on Health is Primary, a three-year campaign designed to demonstrate the benefits of primary care while providing better-quality patient support at a lower cost. Through the partnership, we aim to educate patients about how different parts of the health care system play a role in keeping patients healthy, help them understand the resources available within the medical neighborhood, and provide guidance on when and where to access them.

Informing People about Their Insurance Options

For the third year, CVS Health provided support to help customers understand their insurance options during the Marketplace open enrollment period. Created under the Affordable Care Act, the Marketplace facilitates the purchase of health insurance by individuals who cannot get coverage through their employer or Medicare. In collaboration with health insurers offering coverage through the Marketplace, we hosted more than 6,500 health insurance education events in CVS Pharmacy locations. These events included one-on-one conversations with representatives from a variety of health plans. We also provide materials on Medicare and the Marketplace – in both English and Spanish – available year-round in-store and online at CVS.com/insurance.

We also provided eligible seniors with convenient and personalized Medicare Part D plan comparisons, based on the prescriptions they filled at CVS Pharmacy. Plan comparisons, done over the phone or using our online tool, take into account a number of factors, including premiums, deductibles and co-payments, the medications covered by a plan, and the pharmacies that are included in the geographic reach of each plan. Because Medicare Part D plans change every year and a patient’s prescription needs may also change, comparing Part D plans can save patients hundreds of dollars.
Raising Awareness about Preventive Care
The Affordable Care Act is helping to shift the focus of health care from treatment to prevention. In fact, the U.S. Department of Health and Human Services (HHS) estimates more than 130 million Americans now have private insurance coverage that includes preventive services without additional out-of-pocket costs. The challenge is getting patients to understand the importance and value of these preventive benefits so they can be used.

In June 2015, in partnership with the HHS Office of Disease Prevention and Health Promotion, CVS Health began promoting the ‘myhealthfinder’ online tool to help increase awareness of preventive health services. Consumers using the myhealthfinder tool can enter age, gender, and a few other basic details about themselves to receive recommendations from government-recognized clinical experts for the personalized preventive services patients with their characteristics should receive. Many of the preventive services suggested by myhealthfinder, such as cholesterol screenings, wellness counseling, and routine vaccinations, are available at MinuteClinic and CVS Pharmacy locations, as well as physician’s offices. Many are now covered by most insurance without additional co-pays or other cost sharing under the Affordable Care Act.

CVS Health was the first national partner to promote the myhealthfinder tool outside of the HHS website, making it available on MinuteClinic.com and at cvs.com/myhealthfinder. A pilot of the platform conducted in May showed three times the traffic on the CVS Health sites, with more than 2.5 million visitors, compared to those accessing through the healthfinder.gov website. MinuteClinics in areas that were part of the pilot experienced a 26% increase in pneumococcal vaccine rates and a 5% increase in flu vaccinations.

Making Health Care Easy with Digital Apps
Given how sophisticated and ubiquitous mobile technology has become, we are investing in digital technology to improve the health outcomes of our patients.

Early in 2015, we launched an enhanced CVS Pharmacy mobile app, which has since been downloaded more than 12 million times. The app lets users refill prescriptions, learn whether a prescription has potential adverse reactions with other medications or influences, and access a pill identifier to see shape, color and imprint on the medication.

In November 2015, we introduced a second suite of mobile tools designed to drive greater medication adherence. We describe these here.
Support for Patients with Chronic Disease

The current health care landscape in the United States is marked by a number of challenges. One is the growing prevalence of chronic disease and conditions, such as diabetes, heart disease, cancer, and obesity, to which lifestyle choices, including tobacco use and diet, are key contributors.

Today about half of all Americans suffer from one or more chronic health conditions. These diseases are responsible for seven of 10 deaths every year and the combined costs of treatment account for 86% of the nation’s overall health care costs.

There is also the increased cost of health care and prescription medications to consider – especially the cost of specialty drugs.

We understand these challenges and are taking action to help patients manage chronic and specialty conditions. We are also supporting smoking cessation efforts and offering a wider selection of convenient, better-for-you food options to help lower the risks associated with chronic disease.
We understand these challenges and are taking action to help patients manage chronic and specialty conditions.

7 out of 10 deaths a year are caused by a chronic health condition.

75M
Pharmacy Benefit Management plan members

86% of nation's overall health care costs stem from chronic health conditions.

About half of all Americans suffer from one or more chronic health conditions.

200 MinuteClinic locations added high blood pressure treatment services.
Coram, the specialty infusion services company we acquired in 2014, has nearly 90 locations across the United States.

11.4% increase in adherence rates among patients prescribed complex medications with Specialty Connect™

Focus: Chronic Disease Management

Managing a chronic disease can be frustrating and challenging. Patients must regularly seek health services to monitor their condition, keep track of and adhere to often-complex regimes of medications, and be aware of potential related issues or side effects. We offer patients the support they need through expanded services at our MinuteClinic locations and other support services.

Expanding MinuteClinic Services
MinuteClinic offers a suite of health and wellness services designed to help patients manage and improve their chronic conditions, including screenings and monitoring for diabetes, high blood pressure, and high cholesterol. Coordinated care is important for chronic diseases and MinuteClinic shares visit summaries with patients’ primary care providers, often using EpicCare, the most widely used electronic health record platform.

We collaborated with affiliated health networks to launch treatment services for high blood pressure at almost 200 MinuteClinic locations in 2015. Our nurse practitioners are able to diagnose, provide initial guidance, and refer patients to their primary care physician. For patients without a primary care provider, we provide them with a list of physicians in their local area, including our affiliated health systems. Early in 2016, we began offering initial prescriptions for high blood pressure medication following diagnosis.

Supporting Patients Through Pharmacy Advisor®
Our pharmacists play a vital role in ensuring high-quality patient care by taking an individualized approach to each patient, particularly those managing chronic diseases. One way they do this is through Pharmacy Advisor®, an initiative designed for CVS Caremark’s more than 75 million Pharmacy Benefit Management (PBM) plan members. Pharmacists counsel patients through face-to-face conversations or by phone, helping them with all aspects of pharmacy health — from how to take medications properly, to the importance of adhering to prescribed dosages and schedules, to advice on effective drug alternatives that can help reduce medication costs. The goal is to keep patients on their prescribed medications and if necessary, intervene to prevent complications. In addition to improving medication adherence, our pharmacists are able to direct patients with certain chronic conditions to existing disease management programs for additional support.

Helping Patients Manage Specialty Medications
The growth in specialty medications used to treat many complex health conditions is giving patients unprecedented access to potentially life-changing treatments. But these medications tend to be expensive, increasing costs to payors and patients.

CVS Specialty offers a suite of pharmacy services designed to better meet the needs of patients who are prescribed specialized drug therapies for complex and sometimes rare health conditions. Patients are supported by a care team of pharmacists and nurses who are equipped to address their needs and handle concerns associated with their medications. We also help patients coordinate their insurance benefits and provide tips on how to get the most from their insurance coverage.

To address the unique challenges patients may encounter when they are prescribed a specialty medication, we created a prescription services program called Specialty Connect™. Specialty Connect allows patients to bring their prescriptions to any CVS Pharmacy, receive the expert care they need, and get access to the medication they have been prescribed. In fact, Specialty Connect has demonstrated an 11.4% increase in adherence rates among patients prescribed these complex medications.

We also continue to integrate Coram, the specialty infusion services company we acquired in 2014. Coram has nearly 90 locations across the United States, including seven different infusion suites located inside a CVS Pharmacy. Coram provides a range of infusion therapies, from parenteral nutrition and enteral nutrition (tube feeding) to pain and palliative care services, among others. Patients also receive individual counseling, education, and skilled nursing services for in-home infusion care. Coram is fully accredited by The Joint Commission.
Focus: Healthier Product Offerings

CVS Health continues to expand the offerings of better-for-you foods and other categories of “healthier” products. The move is aligned with our purpose and CSR goals and responds to consumer demand. It also reinforces the company’s position as a health care company that is focused on the well-being of consumers and providing healthy options.

Expanding Healthy Food and Snack Options

In 2015, we expanded our Gold Emblem Abound™ product line from the 40-plus wholesome choices introduced in 2014, to more than 100 items, including new beverage and grocery selections. The vision behind this product line is to provide consumers with healthier options when they are looking to purchase healthier snacks or grocery items. Gold Emblem Abound products are free from artificial flavors and preservatives, with 0 grams of trans fat. In addition, each has at least one better-for-you characteristic that is called out on the package.

The growth of the Gold Emblem Abound line is both a measure of our commitment to the health of our customers and of our customers’ keen interest in having healthier grab-and-go food choices. In 2016, we plan to add an additional 40 items to the line.

We also extended our Fit Choices selections in 2015 with two new Fit Choices tags: Good Source of Protein and Non-GMO Project Verified. These additions supplement our portfolio of Heart Healthy, Gluten Free, Sugar Free and Organic options. The Fit Choices program features nearly 350 selections, including a number of items from our Gold Emblem Abound brand.

In addition to our Fit Choices initiative, we are making better-for-you selections easier to find in stores. We focused on 450 select stores in 2015, moving our healthy snack options to the store’s high-traffic entrance aisle and shifting high-sugar options, such as bagged candy and sweetened cereal choices, further back in the store. We also added high-visibility, open-air refrigeration units stocked with fresh produce, yogurt, premium juices, and quick, healthy meal options. Our healthier food offerings in these locations also feature an expanded selection of non-toxic household products. In 2016, we plan to make similar changes to another 450 stores.

Also in 2016, an additional 2,800 stores will be modified to give healthy snacks more visibility and prominence, particularly in the front-of-store check-out area.

“As we continue to evolve as a leader in health care, we also continue to expand our selection of ‘better for you’ products. One great example is our Gold Emblem Abound line, which more than doubled from the 40-plus wholesome food choices introduced in 2014, to over 100, including new beverage and grocery selections in 2015.”

– Cia Tucci
Vice President,
Store Brands
Finding Nourishment in the Beauty Aisle

We introduced Promise Organic™ in 2015, a new proprietary line of skincare and body products designed to be healthy for consumers and for the environment. All of the products are made with naturally derived ingredients that are certified organic by NSF International. Promise Organic launched in 1,900 CVS Pharmacy stores with 14 products from two collections: Ultra-Moisturizing Argan Crème for normal to dry skin, and Nourishing Coconut Milk for normal to combination skin. Every purchase benefits the environment as 1% of product sales are donated to the Nature Conservancy.

450 stores were redesigned in 2015 to give healthy snacks more visibility and prominence.

100+ wholesome product choices

Fit Choices is an in-store, shelf-tagging program that helps customers find items to suit their individual dietary needs.

350+ Fit Choices Selections
Patient and Customer Well-being and Safety

Ensuring patient safety and positive health outcomes is critical to our purpose. There are a number of factors that influence the effectiveness of pharmacy and medical care on patient outcomes. These include, among others, problems stemming from non-adherence to prescribed medications, gaps in the coordination of patient care, and the safe and accurate dispensing of medications.

These issues can have profound consequences on patient health and safety, which explains our focus on improving medication adherence, expanding our network of integrated care to close the coordination gap, investing in best-in-class technologies and processes for the safe dispensing of prescription medicines, and keeping our stores and pharmacies safe. Our newly formed Patient Safety and Clinical Quality Committee of the Board will focus on the quality of pharmacy and medical care delivered by the company.

We are also investing in creating a tobacco-free generation by helping to prevent young people from starting to smoke in the first place. We have formed partnerships with leading organizations and provide grants to community partners to advance progress in this area.

Finally, we recognize that nearly 2 million adults in the United States live with prescription opioid abuse or dependence. According to the CDC, 78 Americans die every day from an opioid overdose. That’s why we’re working to address this epidemic, through prescription drug take-back and community prevention programs.
Focus: Better Health Outcomes

One of the greatest contributions CVS Health can make toward improving health outcomes for the millions of Americans living with chronic health conditions is through educating people on the benefits of medication adherence. Some of the non-adherence facts are alarming. It is estimated that up to a third of prescriptions written are never filled and about half of all patients prescribed medications for chronic conditions stop taking them within the first year, the biggest drop-off occurring in the first month. Ultimately, patients who take their medications as prescribed have better health outcomes than those who do not. Non-adherence of essential medications leads to thousands of preventable hospitalizations and costs the U.S. health care system $300 billion annually in unnecessary medical costs.

Improving Medication Adherence

In order to improve adherence, we focus on solutions that target the root causes of non-adherence. For instance, some patients simply forget to take their prescribed medications or to refill them when they run out. Cost of prescription drugs is another barrier for some patients. Others may not understand how or when to take their medicine, why it is necessary, or how to manage the side effects. We aim to increase the adherence of the patients we serve by 5% to 15% through new interventions by 2017.

Making Pharmacy Easy and Convenient

Our research shows that online and digital tools provide patients with greater convenience and improved adherence. We have focused on developing tools and encouraging patients and customers to leverage them. Examples of these include:

- **ScriptSync™** is an online tool introduced in 2015 to make managing multiple refills easier. Patients who sync their prescriptions can consolidate their pick-ups into one monthly trip to the pharmacy. More than 70% of eligible patients have already signed up. In 2016 this option will be available through CVS Caremark mail service as well.

- **ReadyFill®** is a service patients can sign up for to ensure that their medications are automatically refilled and ready for pick-up according to dispensing instructions. This promotes adherence and provides added convenience to patients with chronic conditions.

- **Maintenance Choice®** is designed for CVS Caremark plan members who are on long-term maintenance medications for chronic diseases. This service gives patients the choice of how to receive their 90-day supply of medicine, either through mail service or pick-up at CVS Pharmacy. Either way, patients benefit from the typically lower mail co-pay.

- **Text alerts** are a simple way to notify patients when their prescriptions are ready and to remind them when it is time to refill their prescriptions. About one in three patients had signed up for text alerts by the end of 2015.

- **Mobile apps** were recently introduced to help patients jump-start the prescription process by enabling them to upload a photo of their written prescription and send an image of their insurance card.

Lowering Costs

We know that cost can be a huge barrier to adherence. Research shows that prescriptions with higher copays are less likely to be filled, and the adherence of people who move to a high-deductible health plan tends to drop. “Dispense as written” (DAW) on a prescription also makes it less likely to be filled. DAWs often specify that a more expensive brand name medication be dispensed rather than a less costly but equally effective generic alternative.

Our own analysis indicates that promoting lower-cost drug options, such as generics, can help overcome cost barriers. Our e-prescribing systems allow us to let doctors know that a drug they plan to prescribe is not on our formulary or has generic options. That way, a less costly alternative can be prescribed if the physician believes it is clinically appropriate. We can also communicate patient-specific savings opportunities directly into a patient’s electronic health record (EHR) so the physician or office staff can act on them.

Educating Patients about Their Prescriptions

Research has shown that face-to-face counseling by a pharmacist is two to three times more effective at increasing patient adherence than other interventions. Our Pharmacy Advisor program is helping us to achieve higher adherence rates by providing more than 5 million consultations in person and/or by telephone in 2015.
Focus: Integration and Coordination of Care

CVS Health recognizes that collaboration among medical care providers is essential to ensuring the best health outcomes for patients. When care is not coordinated, it can lead to serious complications, including medical errors, preventable hospital re-admissions, and higher costs. In 2015, we continued to connect the dots to improve health care coordination by expanding our affiliations with health systems across the country and investing in new technologies.

Ensuring Integrated Care in the Medical Neighborhood

MinuteClinic has become an integral member of the medical neighborhood, providing patients with access to convenient, affordable and quality medical care for non-emergent illnesses. MinuteClinic is not a substitute for primary care; instead it seeks to coordinate patient care with medical care for non-emergent illnesses. MinuteClinic's primary care providers communicate with the primary care provider, ensuring a more informed picture of the patient's health care needs.

Technology plays an important role in the coordination of care. In 2015, we completed the implementation of the electronic health record (EHR), the most widely used EHR in the country for sharing information between entities. It allows us to securely communicate - with a patient’s permission - important health visit and prescription information with the patient’s medical home. This is evident by the growing number of affiliations MinuteClinic has formed with major health systems across the country – near 70 by the end of 2015.

We aim to increase the adherence of patients we serve by 5%-15% through new interventions by 2017.
Focus: Prescription Safety

At CVS Health, the health and well-being of our patients and customers is our number one priority. Our commitment to best-in-class processes and technologies help us ensure that the prescriptions we fill are dispensed safely and accurately.

Enhancing Prescription Accuracy, Safety and Effectiveness

All of our pharmacy operations follow comprehensive quality assurance processes. Every prescription we fill goes through a multi-step quality review by a pharmacist before it is dispensed to a patient.

Our pharmacy teams are comprised of highly trained technicians led by licensed pharmacists who are dedicated to providing high-quality care. In our retail pharmacies, safety checks are built into our computer system and existing workflow to help ensure accurate dispensing. These include on-screen computer messaging, bar-coded prescription labels, electronic prescribing, automated prescription filling technology, electronic pill imaging, and quality assurance training for all pharmacy staff.

Our mail order and specialty pharmacies also utilize extensive quality control measures when dispensing medications, including enhanced quality control, electronic imaging, quality procedures for compounded medications, drug utilization reviews (DUR) and final quality assurance checks. In addition, our specialty pharmacies have a further comprehensive review process for medication appropriateness. We also conduct a complete patient assessment to help prevent safety, administration or efficacy lapses with the prescribed medication.

Making Continuous Improvements in Quality Assurance

In 2015, we introduced an enhanced DUR process as part of our overall prescription quality assurance program. Quality assurance is a mandatory procedure performed by the pharmacist with every prescription filled. It requires the pharmacist to verify what the patient has been prescribed and ensure it matches the product selected, the directions for taking the medication, and the dosage and the quantity of medication.

Our pharmacy computer system’s enhanced DUR process also alerts the pharmacist of any patient-specific concerns related to the prescribed medicines that may require intervention. These might include the potential of an allergic reaction, a drug-to-drug interaction, any contraindications, or whether the dose is within a clinical dosage range.

If the dosage falls outside the clinical dosage range, a simple but effective stop sign will appear on the pharmacist’s screen. These types of hard stops require the pharmacist to intervene, review and take corrective actions.

Promoting a Culture of Safety

CVS Health employs about 30,000 licensed pharmacists. Each one is thoroughly and continually trained on our processes and procedures for the safe dispensing of prescription medicines. Our processes have been designed to anticipate and control all types of potential issues. The dispensing reports our pharmacists submit are routinely assessed, allowing us to quickly identify and address any emerging concerns.

Beyond our internal assessments, we engage independent industry experts in patient safety to evaluate and help us advance our processes and procedures for the safe dispensing of prescriptions. Our quality assurance processes have undergone rigorous reviews by URAC, the leading U.S. health care accreditation organization for quality standards. In 2014, we became the first pharmacy to receive Community Pharmacy accreditation from URAC, and CVS Health is now accredited with five of URAC’s programs for pharmacy.

Labeling is Key

To ensure patient safety, 100% of our prescription labels include a description of the medication’s color, shape and marking. This allows the patient to check what they received against what has been prescribed. Our prescriptions also include information about side effects and detailed instructions on how to take the medication properly. All prescribed medications come with a detailed information sheet that contains information about the drug’s side effects, potential interactions and what to do if a patient misses a dose. For the safety of visually impaired patients, we use large print or Braille print labels. At the retail pharmacy, patients can access ScripTalk, a talking prescription label.
As we help people on their path to better health, our goals are to maintain a continued focus on quality and services, and to provide outstanding clinical and service performance. This encompasses all of the interactions our patients, customers, clients or plan members may have with our integrated health care business. Measuring satisfaction, logging feedback and engaging with patients and customers enables us to assess and build on areas of strength.

**Enhancing the MinuteClinic Experience**

We collect feedback from our patients on their MinuteClinic experiences; results from 2015 indicated that 94% were satisfied with their providers. We also review other specific feedback to help us fine-tune the patient experience.

For instance, after identifying opportunities to improve scheduling and wait times, we introduced a service that allows patients encountering wait times for MinuteClinic visits to enter their mobile phone number when they arrive. A text message is then sent to them when it is time for their appointment. Three million people used this service in 2015.

Building on this success, we piloted a new program, to be rolled out in 2016, that allows patients to view wait times for various MinuteClinic locations and to sign up remotely for an appointment. They will receive a text or e-mail including a code to enter at the kiosk when they arrive. Our goal is to reduce wait times and improve access by showing the wait times of nearby clinics.

**Listening to CVS Pharmacy Customers**

There are several ways that CVS Pharmacy customers and patients can provide feedback on their pharmacy or shopping experience. They can call a toll-free line, send us an email or submit comments through the mail. We log all customer contacts, analyze the nature and volume of comments, escalate issues that need immediate attention, and provide weekly reports to the field and company management.

Feedback related to the pharmacy experience is especially helpful. We have learned that patients want us to be more proactive about alerts and follow-up on out-of-stock medication, while they also want to know whether they can opt-out of reminder phone calls, if desired.

Our retail customers want to get the full benefit of our rewards programs or to express their feedback on a particular promotion or their customer service experience. Ultimately, the feedback we receive enables us to continually improve the quality of the experience all CVS Pharmacy patients and customers expect.

**Achieving CMS 4-Star Performance Ratings**

Our commitment to providing outstanding clinical and service performance extends to the Medicare Prescription Drug Plan options we offer through our SilverScript Insurance Company. In 2015, we announced two plans that offer $0 deductibles, lower premiums and low co-pays for frequently prescribed drugs. Equally as important, the plans earned an overall 4-star rating from the Centers for Medicare and Medicaid Services (CMS), in part for their high-quality, clinical outcomes and customer service. CVS Health is the largest Medicare Part D insurer to achieve this rating.
Focus: Prescription Drug Abuse Prevention

Every day, our pharmacists support people on their path to better health, and that includes dispensing prescription medications. But when prescription drugs are abused, the consequences can be deadly. According to the CDC, 44 people die each day in the United States from an overdose of prescription painkillers and even more become addicted.

Prescription drug abuse is a national epidemic that needs to be addressed. By partnering with health centers, law enforcement, governments and non-profits to address prescription drug abuse, we are part of a coordinated effort to help prevent drug abuse and save lives. We have also adopted a policy that MinuteClinic practitioners will no longer prescribe opioids to patients.

Bringing Pharmacists into the Classroom
Prevention begins with education. We believe our pharmacists are uniquely positioned to teach about the dangers of prescription drug abuse and the harm that is caused by abusing these drugs. In 2015, CVS Health launched a community outreach program called Pharmacists Teach, which brings local pharmacists into high school health classes to talk to students about the dangers of drug abuse. More than 15,000 students have already been part of the program. High schools across the country can learn more about bringing Pharmacists Teach to their school here.

Supporting Drug Take-Back Programs
Creating opportunities for proper disposal of prescription medications is a key element of our drug abuse prevention strategy. There is another benefit to this as well: safeguarding the environment by preventing unused medications from being disposed of in the wrong way, such as flushing them down the toilet or putting them in the garbage.
In collaboration with the Partnership for Drug-Free Kids, CVS Health created the Medication Disposal for Safer Communities Program, through which local police departments can apply to receive a drug collection unit. These receptacles enable community members to safely dispose of unwanted medications, including controlled substances. Since 2014, the program has donated more than 500 disposal units across the country and collected more than 28 metric tons of prescription drugs. Police departments can apply to receive a drug collection unit from the program here.

CVS Pharmacy also continues to support National Drug Take-Back Day. In 2015, more than 200 locations provided local communities with safe and convenient ways to dispose of expired or unwanted prescription medications through law enforcement collection events held in store parking lots. This national effort collected a total of 350 tons of medications.

Expanding Naloxone Availability
To address the alarming number of opioid overdoses and help save lives, CVS Pharmacy continued to support the expansion of naloxone availability in 2015. Naloxone, also known as Narcan, is a safe and effective antidote to reverse an opioid overdose, including heroin. We are participating in programs in the more than 15 states that allow pharmacists to dispense naloxone pursuant to a physician’s standing order to patients who do not have a prescription. We are expanding our participation in these programs as states adopt enabling laws and regulations, and anticipate rolling out this program to at least 20 more states in 2016. Naloxone is also available with a prescription at all CVS Pharmacy stores across the United States.

CVS Health is also partnering with the Boston Medical Center and Rhode Island Hospital to support a demonstration project on the distribution of pharmacy-based naloxone rescue kits to help reduce opioid addiction and overdose deaths. The study will track and analyze data from participating pharmacies in Massachusetts and Rhode Island to develop best practices for a national pharmacy-based program.

“Our ‘Pharmacists Teach’ program allows our pharmacists to take an active role in educating teens in their communities about the dangers of drug abuse. To date, more than 50,000 students in hundreds of communities across the United States have taken part in the program, and feedback from school administrators has been overwhelmingly positive.”

– Thomas Davis, R.Ph. Vice President, Professional Services
In 2015, CVS Health celebrated the one-year anniversary of the removal of tobacco products in our retail locations. We made this decision despite the estimated loss of approximately $2 billion in revenue of tobacco and associated sales because the sale of tobacco was inconsistent with our purpose of helping people on their path to better health. Taking this action has created new opportunities for CVS Health, such as building a more health-centered retail business, strengthening relationships with our PBM clients, and affiliating with new partners to support our role within the medical neighborhood – a clinical-community partnership that includes medical and social supports to enhance health. It has also allowed us to raise our voice and advocate for a tobacco-free generation.

According to the CDC, each day in the United States, more than 3,800 children aged 18 and younger smoke a cigarette for the first time, and an additional 2,100 youth and young adults become daily smokers.

We know that tobacco use significantly impacts health, and when smokers quit, their health improves. This prompts nearly half of smokers to try to quit each year, but the best approach is to dissuade youth from experimenting with tobacco in the first place.

We are taking a stand by investing in today’s youth to inspire a tobacco-free generation. We have established four targets – to be achieved nationwide by 2020 – that will guide our charitable giving and community partnerships, measure our progress and send a strong message that we are serious about eradicating tobacco use. These include:

• Reach five million youth with tobacco-free messaging
• Double the number of tobacco-free educational institutions
• Achieve a 10% decline in new youth smokers
• Achieve a 3% decline in the youth smoking rate

Investing in a Tobacco-Free Generation

In March of 2016, we announced Be The First, a five-year, $50 million initiative to help deliver the nation’s first tobacco-free generation. Through this initiative, which is funded through CVS Health and the CVS Health Foundation, the company is extending its commitment to help people lead tobacco-free lives. Recognizing that tobacco use is the leading preventable cause of disease and death in the United States, and that use of some tobacco products among youth is on the rise, Be The First will focus on comprehensive education, advocacy, tobacco control and healthy behavior programming in partnership with organizations uniquely positioned to tackle this public health challenge.

Leading up to the announcement, in February 2015 the CVS Health Foundation announced a five-year, $5 million commitment to the Campaign for Tobacco-Free Kids, launching the ‘Making the Next Generation Tobacco-Free’ grant program. Initial grants were made to support the following:

• California School-Based Health Alliance will increase the capacity of school-based health centers to implement youth-led tobacco prevention programs, reaching 2,000 youth throughout California.

• Health Promotion Council of southeastern Pennsylvania will expand its training for youth-led public health advocacy and increase its outreach to youth.

• Ohio Public Health Partnership will implement tobacco-prevention and cessation programs that target youth, pregnant women and other high-priority individuals. It will also help educate lawmakers and the public to support an increase in the Ohio tobacco tax, equalize the tax on other tobacco products and designate 12 cents of every $1.00 of the proposed tax increase for tobacco use prevention and cessation.

We also launched a joint initiative in 2015 with Scholastic Corporation, the global children’s publishing, education and media company, called Get Smart About Tobacco. The school-based program, which will reach nearly three million youth in grades three through seven during the 2015–2016 school year, teaches children about the health consequences of tobacco use. It includes resources for teachers,
Smoking is the leading cause of preventable death and disease in the United States, responsible for more than 480,000 deaths each year, $133 billion in medical costs and $156 billion in lost productivity.

students and parents, as well as student engagement programs and incentives, such as scholarships and youth-focused community training.

In addition, we provided $3.5 million to the American Cancer Society over three years to support 125 college and university campuses going tobacco free.

Partnering to Combat Tobacco Use
CVS Health also continues to expand partnerships with organizations that are leading the fight against tobacco use and supporting those living with its health consequences. These include in-store fundraising initiatives to support the American Lung Association and Stand Up To Cancer, as well as programs to reach high-risk communities.

Supporting High-Risk Communities with Smoking Cessation Programs
According to the CDC, veterans and people with disabilities have a higher incidence of smoking than average. In 2015, the CVS Health Foundation provided Easter Seals with a $400,000 grant to support a new smoking cessation program designed to help veterans and people living with a disability to lead tobacco-free lives. Through the program, participants are directed to the American Lung Association’s Freedom from Smoking website, where they are guided through smoking cessation lessons and tips.

We also committed to provide $1 million over four years to the National Urban League to support smoking cessation for African-American populations in underserved communities.

Supporting Cancer Research with Stand Up To Cancer
Nationwide, more than 1,600 people die from cancer each day. CVS Pharmacy has committed $10 million over three years to support the innovative cancer research funded by Stand Up To Cancer (SU2C), a program of the Entertainment Industry Foundation. In November 2015, we held our second in-store campaign in support of SU2C, which raised more than $4 million through generous donations from customers and colleagues.

Campaigning for American Lung Association’s LUNG FORCE
Every five minutes a woman in the United States is diagnosed with lung cancer, the number one cancer killer in the country. In May, CVS Pharmacy raised more than $3 million through our second annual LUNG FORCE in-store fundraising campaign. As the national presenting sponsor of LUNG FORCE, our campaign supports research on better treatment options and improved methods of early detection.

Measuring Impact
By removing tobacco products from all CVS Pharmacy locations, our research shows that we are having a measurable and positive impact on public health. In September 2015, one year after our tobacco exit, we released results from a study conducted in 26 states by the CVS Health Research Institute which showed a measurable reduction in cigarette purchases. The study evaluated cigarette pack purchases at drug, food, big box, dollar, convenience and gas station retailers in the eight months after CVS Pharmacy stopped selling tobacco products. The study found a 1% reduction in cigarette pack sales in states where CVS Pharmacy had a 15% or greater share of the retail pharmacy market, compared to states with no CVS Pharmacy stores. Over the same eight-month period, the average smoker in these states purchased five fewer cigarette packs and, in total, approximately 95 million fewer packs were sold. In addition, the study revealed a 4% increase in nicotine patch purchases in the states with a CVS Pharmacy market share of 15% or more during this same eight-month period. This indicates that there was also a positive effect on attempts to quit smoking.

Additionally, in just over a year, participation in MinuteClinic’s Start to Stop® smoking cessation program almost doubled. CVS pharmacists also counseled more than 260,000 patients about smoking cessation and filled nearly 600,000 nicotine replacement therapy prescriptions. We also distributed millions of smoking cessation informational brochures and hundreds of thousands of Last Pack toolkits, and educated more than one million people on our online cessation website.
$50M
*Be The First,* initiative is helping to deliver the nation’s first tobacco-free generation

$3M
was raised through our second annual LUNG FORCE in-store fundraising campaign

260K+
patients were counseled by CVS pharmacists about smoking cessation

$4M
was raised through generous donations from customers and colleagues with our second Stand Up To Cancer (SU2C) in-store campaign

$50M
Be The First, initiative is helping to deliver the nation’s first tobacco-free generation
Planet in Balance
The link between human health and the health of our planet is becoming increasingly apparent. We are observing the impacts of climate change and water scarcity around the world and here in the United States. Through our Planet in Balance pillar, we ensure that environmental sustainability is embedded in our approach to business operations and product development.

As stated in the Fifth Assessment Report from the Intergovernmental Panel on Climate Change, keeping global temperatures in check is essential. Otherwise the potential impacts resulting from increasing greenhouse gas (GHG) emissions will, over the long-term, have an impact on people’s health.

As a pharmacy innovation company with thousands of retail pharmacies, an expanding footprint as a result of recent acquisitions and a growing supply chain, CVS Health is committed to assessing and reducing our direct and indirect environmental impacts. Our enterprise programs are designed to ensure that environmental sustainability is embedded in our approach to business operations and product development.

Our approach and commitments stem from our environmental and climate change policies and are reinforced by our Prescription for a Better World framework, which establishes Planet in Balance as a core pillar.

We are committed to continuous improvement in three areas described in this section:

• Sustainable operations
• Sustainable products and packaging
• Internal and external engagement around our sustainability vision
Sustainable Operations

Our operations touch the lives of millions of customers, patients and colleagues in nearly every state across the country – from retail and specialty pharmacies, to distribution centers, corporate and regional offices, as well as a significant transportation fleet. With the acquisitions of Omnicare and Target’s pharmacy and clinic businesses in 2015, our footprint is continuing to grow.

Operational efficiency is a key strategy and ties directly to our enterprise growth strategy. We are committed to reducing our environmental impacts in areas where we have a high level of control, while also lowering our overall costs. We focus on driving reductions in GHG emissions, energy, water and waste, as well as through initiatives to engage colleagues across the enterprise in delivering results in these areas.
Focus: Operational Eco-Efficiency and Compliance

We have assessed our operational footprint and determined that energy use and GHG emissions are the most significant impacts for two reasons: our real estate footprint is continually growing and covered more than 99 million square feet of building space in 2015, with retail pharmacies accounting for much of this. In addition, we have a vast distribution and transportation network that services our stores on a continual basis. Water use and landfill waste are other impacts, although to a much lesser degree. Our strategy for sustainable operations focuses on these impacts, with a priority on reducing GHG emissions because of the link to climate change. To do that, we focus on energy efficiency.

Climate Change and GHG Emissions

The World Health Organization predicts that the overall health effects of a changing climate are likely to be overwhelmingly negative. As a company with health care at its core, and with the November 2015 Climate Summit in Paris highlighting the imperative to reduce emissions, we have been intent on strengthening the culture of environmental responsibility within our company to reduce the GHG emissions generated through our operations.

As described in our Climate Change Policy, our approach to reducing emissions includes monitoring for risks and opportunities, establishing energy and GHG efficiency programs, and engaging on an ongoing basis with our stakeholders to determine and prioritize our climate-related commitments. Because the roll-out of new technology across thousands of store locations takes time, we have adopted a methodical approach to investment in this area. We want to ensure the technologies we implement are proven and that they deliver on both environmental and cost efficiencies.

Measuring and Reducing Our GHG Emissions

We have been measuring and reporting our GHG emissions since 2008. We monitor our emissions in accordance with the Greenhouse Gas Protocol published by the World Resources Institute and the World Business Council for Sustainable Development, as well as the Climate Registry’s General Reporting Protocol. These standards also inform the boundaries of our carbon footprint, which encompasses all U.S. retail pharmacy locations, retail clinics, corporate and regional offices, distribution centers, as well as emissions from business travel,
product delivery and refrigerants. Our small pharmacy chain in Brazil is also included in these boundaries. The boundaries do not include Omnicare facilities or former Target pharmacies, as these entities were acquired during 2015.

We measure and report our absolute emissions as well as carbon intensity by square foot of retail space, which allows us to determine the success of our efficiency measures, especially given the growth of our business. In 2015, we achieved a 16% reduction in carbon intensity by 15% per square foot of retail space by 2018, compared to a 2010 baseline. We attribute this result to lighting efficiency upgrades, reduced demand for heating, and changes in the Environmental Protection Agency’s (EPA) electricity emissions factors (eGRID factors). The use of the eGRID2012 factors, published in 2015 in place of the eGRID2010 factors, resulted in a 7% reduction in metric tons of CO2e for electricity emissions.

We will continue working toward further reductions and establish a new GHG emissions reduction target within the next two years.

Climate Change Risks and Opportunities
We believe our proactive approach to climate change risk management and our proven ability to respond during severe weather events has strengthened the trust our customers have in CVS Health, and will enable our business to grow.

Climate change is causing unusual and sometimes extreme weather patterns around the world, and climate experts are foreseeing a new era of “super storms” emerging. As a provider of prescription medications and retail health services, we understand that a major disruption in our business can have serious implications for patients who rely on us for prescriptions and other health care needs. To prepare for potential impacts, we evaluate our risks and opportunities on a continual basis.

In evaluating and preparing for these risks, we believe that the unexpected closure of our data centers and corporate offices would pose the greatest threat to our business because it would impede our ability to operate the systems that support our stores. Our Business Continuity Plan addresses the loss of facilities, information technology (IT) infrastructure and human resources as well as losses in our supply chain in the case of floods, hurricanes and similar events. Financially, we are at risk of physical damage to our facilities, lost inventory from power outages and lost business from being closed in the wake of a natural disaster.

We have responded to disasters in the past and learned valuable lessons that help our business continuity team enhance our emergency response action plans on a regional level. Their focus is on ensuring we are operational during times of severe weather events or directing customers to other nearby CVS Pharmacy locations in the event that a particular store must close.

Energy and Fuel
Three main sources of energy use contribute to our GHG emissions: electricity, natural gas and fuel. In 2015, the 2.9 million megawatt hours of electricity used to operate our retail locations and other facilities continued to represent our most significant environmental impact and the largest contributor to our carbon footprint. Our fleet used 10.6 million gallons of fuel to distribute product to our stores, another contributor to our footprint.

Electricity use in 2015 stayed flat compared to 2014 amidst an increase in overall square footage of 1.8% and the introduction of open-air refrigeration units in 450 stores. Our performance is at least partly attributable to store energy efficiency initiatives, including lighting retrofits and enhancement of our Energy Management Systems (EMS) controls.
Greenhouse Gas Emissions, Energy, and Water Data Analysis

Total Energy Usage, by Type, for 2010–2015*

<table>
<thead>
<tr>
<th>Year</th>
<th>ELECTRICITY</th>
<th>NATURAL GAS</th>
<th>PROPANE &amp; OIL</th>
<th>FUEL CONSUMPTION**</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>2.9 Million MWh</td>
<td>10.2 Million Therms</td>
<td>765,000 Therms</td>
<td>9.8 Million Gallons</td>
</tr>
<tr>
<td>2011</td>
<td>2.9 Million MWh</td>
<td>10.4 Million Therms</td>
<td>585,000 Therms</td>
<td>10.1 Million Gallons</td>
</tr>
<tr>
<td>2012</td>
<td>3.0 Million MWh</td>
<td>8.3 Million Therms</td>
<td>520,000 Therms</td>
<td>9.7 Million Gallons</td>
</tr>
<tr>
<td>2013</td>
<td>2.9 Million MWh</td>
<td>12.3 Million Therms</td>
<td>580,000 Therms</td>
<td>9.3 Million Gallons</td>
</tr>
<tr>
<td>2014</td>
<td>2.9 Million MWh</td>
<td>14.1 Million Therms</td>
<td>460,000 Therms</td>
<td>9.5 Million Gallons</td>
</tr>
<tr>
<td>2015</td>
<td>2.9 Million MWh</td>
<td>12.4 Million Therms</td>
<td>444,000 Therms</td>
<td>10.6 million Gallons</td>
</tr>
</tbody>
</table>

* 2010–2013 data represents all CVS distribution centers, stores and administrative locations, LL Paid facilities and Caremark locations. 2014 data included the addition of operations in Brazil. 2015 data includes the addition of Coram and Navarro locations. This data includes Scopes 1, 2, and 3 as detailed below.

Greenhouse Gas Emissions by Scope*

<table>
<thead>
<tr>
<th>Scope</th>
<th>2015 Tonnes of CO2e</th>
<th>2015 %</th>
<th>2014 Tonnes of CO2e</th>
<th>2014 %</th>
<th>2013 Tonnes of CO2e</th>
<th>2013 %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Natural Gas, Other Fuels, Corporate Jet, Corporate Car Fleet, Private Delivery Fleet, Refrigerants</td>
<td>215,060</td>
<td>13%</td>
<td>185,548</td>
<td>11%</td>
<td>193,091</td>
<td>12%</td>
</tr>
<tr>
<td>Electricity, Steam, Chilled Water</td>
<td>1,368,598</td>
<td>82%</td>
<td>1,468,193</td>
<td>84%</td>
<td>1,465,827</td>
<td>84%</td>
</tr>
<tr>
<td>Dedicated Delivery Fleet, Employee Air Travel, Employee Personal Car Travel, Rental Cars</td>
<td>89,388</td>
<td>5%</td>
<td>78,344</td>
<td>5%</td>
<td>73,872</td>
<td>4%</td>
</tr>
</tbody>
</table>

* In 2012, emissions from Private and Dedicated Delivery Fleets were both reported under Scope one as part of Private Delivery Fleet. In 2013, emissions from Dedicated Delivery Fleet were moved to Scope 3.
### Total Carbon Footprint and Carbon Intensity Measurement

<table>
<thead>
<tr>
<th>Year</th>
<th>CO2 EQUIVALENTS (metric tons CO2e)</th>
<th>CO2 EQUIVALENTS intensity per sq. foot of retail space</th>
<th>SQ. FT. of retail space</th>
<th>Cumulative Progress Toward Carbon Intensity Reduction Goal *</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>1,778,000</td>
<td>0.0255 Metric Tons</td>
<td>69.7 Million</td>
<td>NA</td>
</tr>
<tr>
<td>2011</td>
<td>1,800,500</td>
<td>0.0252 Metric Tons</td>
<td>71.5 Million</td>
<td>1%</td>
</tr>
<tr>
<td>2012</td>
<td>1,712,000</td>
<td>0.0234 Metric Tons</td>
<td>73.1 Million</td>
<td>8%</td>
</tr>
<tr>
<td>2013</td>
<td>1,733,000**</td>
<td>0.0234 Metric Tons</td>
<td>75.0 Million</td>
<td>9%</td>
</tr>
<tr>
<td>2014</td>
<td>1,737,000</td>
<td>0.0226 Metric Tons</td>
<td>76.7 Million</td>
<td>11%</td>
</tr>
<tr>
<td>2015</td>
<td>1,673,000</td>
<td>0.0214 Metric Tons</td>
<td>78.1 Million***</td>
<td>16%</td>
</tr>
</tbody>
</table>

* Carbon Intensity Goal: Reduce carbon intensity by 15% by 2018, based on 2010 figures.

** Adjusted from figure reported in the company’s 2013 CSR report due to minor (~5%) updates as a result of CVS Health’s third-party verification process.

***10-K shows 79.4M SF, but includes 1.3M SF for Target pharmacies acquired on 31 December 2015, which are excluded for the purposes of the intensity target calculation.

### Water Use Intensity Measurement for 2010–2015

<table>
<thead>
<tr>
<th>Year</th>
<th>TOTAL WATER USAGE (ML)</th>
<th>SQ. FT. OF RETAIL SPACE</th>
<th>NORMALIZED WATER USAGE (PER SQ. FT. OF RETAIL SPACE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>7,350</td>
<td>69.7 Million</td>
<td>0.000105 ML</td>
</tr>
<tr>
<td>2011</td>
<td>7,200</td>
<td>71.5 Million</td>
<td>0.000101 ML</td>
</tr>
<tr>
<td>2012</td>
<td>7,550</td>
<td>73.1 Million</td>
<td>0.000103 ML</td>
</tr>
<tr>
<td>2013</td>
<td>6,800</td>
<td>75.0 Million</td>
<td>0.000091 ML</td>
</tr>
<tr>
<td>2014</td>
<td>6,200</td>
<td>76.7 Million</td>
<td>.000078 ML</td>
</tr>
<tr>
<td>2015</td>
<td>6,081</td>
<td>78.1 Million*</td>
<td>.000078 ML</td>
</tr>
</tbody>
</table>

* Company’s 10-K reports 79.4 million sq ft, but this figure includes 1.3 million sq ft for Target pharmacies acquired on December 31, 2015, which are excluded for the purposes of the intensity target calculation.
We plan to drive energy efficiency in 2016 through a number of initiatives. These include fast-tracking the completion of our lighting retrofit program, integrating our EMS into our newer acquisitions, and exploring opportunities to balance shifting energy needs in our retail locations.

Use of natural gas decreased in 2015, likely due to warmer weather, which resulted in a 10% decrease in heating degree days between 2014 and 2015. Heating degree days is a measure that indicates the overall heating demand required to heat a building.

Given continued growth in our retail locations, we remain focused on achieving energy efficiency in operational areas where we can have the biggest impact, including lighting and the centralized management of energy use, as well as through transportation and distribution efficiencies.

**Energy Management System**
In 2015, we enhanced the controls of our EMS, which operates in more than 95% of our retail locations. We will look to integrate our EMS platform into our Coram and Omnicare facilities in the near future.

The EMS monitoring platform allows us to manage, monitor and adjust lighting, HVAC and other systems from a central location, thus helping us drive energy efficiency consistently across our stores, distribution centers and other facilities.

**Lighting Retrofits**
A significant amount of energy is used to light our facilities. Our strategy, given the scale of our footprint, is to build long-term success through sustained year-over-year investments in proven lighting technologies.

In 2015, we implemented a new LED lighting strategy that will provide long-term value in terms of energy efficiency and operational cost. The decision followed the success of a 2014 LED interior lighting retrofit pilot, which yielded a 10% increase in efficiency using LED technology compared to high-efficiency florescent solutions. We completed lighting retrofits in 854 stores in 2015, of which 349 used LED lighting. In 2016, we plan a significant increase in the number of LED retrofits with an accelerated timeline.

In 2015, we also completed an interior and exterior LED lighting retrofit at our corporate headquarters in Woonsocket, and in 2016 we will evaluate opportunities and establish a standard for lighting retrofits at our other main corporate locations.

Our lighting retrofit program saved us $1.7 million in energy costs in 2015, and nearly $15.9 million since 2011.

**Transportation**
CVS Health depends on a fleet of more than 760 company-owned and third-party tractors and 1,800 company-owned and third-party trailers to deliver products from our 22 distribution centers to store locations in 46 states. This includes deliveries to Navarro locations in Florida and our newly acquired Omnicare business, but excludes Target pharmacies. They will be included in our transportation footprint in our next report.

In 2015, transportation services related to our distribution network consumed more than 10.6 million gallons of fuel and covered 50.8 million miles. We are continuously looking for innovations and technologies to help us reduce the contribution from or mitigate the impact of these activities on our total GHG emissions.

For example, in 2015 we began implementing improved routing software in our fleet, which allows us to track and optimize miles driven, fuel
efficiency, average cost per load and on-time service delivery. With 50% program completion at the end of 2015, we saved approximately 34,450 gallons of fuel, which resulted in an estimated cost savings of $173,000. We expect to complete implementation in 2016.

This new software is also helping us establish Routing Centers of Excellence through the realignment of distribution centers and delivery routing. This strategy helps us manage the environmental impacts of our growing business, while also supporting our growing number of delivery locations, the increasing diversity of merchandise we ship, and our investments in cold chain technology in logistics centers to better serve our medication distribution channels.

We have long known that excessive idling is an inefficient and expensive use of diesel fuel and a preventable source of GHG emissions. On average, an idling diesel engine consumes 0.8 gallons of fuel per hour and emits more than 18 pounds of CO₂. In 2015, we upgraded our in-cab computers to support energy efficiency by monitoring truck idle time and route compliance.

Our company-owned fleet is an Environmental Protection Agency SmartWay Carrier Partner for the sixth year in a row, receiving the highest carrier rating of Level 1 for emissions control. CVS Health has been a SmartWay Shipping Partner since 2012.

**Alternative Energies**

We also continue to monitor the environmental and economic payback of new technologies and alternative energy sources, adapting our outlook in 2015 to declining energy prices. We are constantly evaluating opportunities through renewable technologies, renewable energy credits, power purchase agreements, and tax credits.

Our renewable energy program, which includes five stores powered by rooftop solar panels (four in Hawaii and our Leadership in Energy and Environmental Design (LEED) Platinum-certified store in West Haven, CT) and a sixth store under construction in California, also informs our strategic thinking in this space.

**Water**

At CVS Health, we believe that water quality and scarcity issues pose a threat to the long-term health and sustainability of many communities worldwide. The World Economic Forum refers to water security as “one of the most tangible and fastest-growing social, political and economic challenges the world faces today.”

We have implemented steps to monitor and reduce our consumption, particularly in water-stressed areas where we operate. We have also established a water reduction target:

- Reduce water use in retail operations for new construction by 20% by 2020

Our Environmental Management Program provides the basic framework for responsibly managing our environmental obligations. CVS Health’s water management strategy provides guidance for how we drive efficiencies and reduce usage. We regularly measure our water use and savings; establish guidelines around the development of new properties with appropriate landscaping, and implement water-reduction initiatives into LEED and non-LEED buildings.

In 2015, CVS Health used the World Resources Institute Aqueduct tool to assess the number of facilities located in water-stressed regions. Using this tool, we were able to assess approximately 99% of total operations. We found that 27% of operations assessed were located in areas of extremely high water stress. For the remaining 1% of sites that...
were not assessed, we either did not have available water use data or accurate location information. We are working to improve data collection efforts for future assessments.

While CVS Health has some operations in water scarce regions, our business is not water intensive. The prime areas of water usage relate to irrigation of land around certain stores and usage in washrooms.

Landscape irrigation at our retail locations currently accounts for 45% of our total U.S. water footprint. In 2015, we began assessing the opportunities for implementing this strategy – going to zero-irrigation in many locations and, wherever possible, eliminating the need for irrigation at our new stores. There are some store locations – both existing and new sites – where landscaping irrigation is mandated by local ordinances. For these locations, our approach will focus on conservation irrigation solutions that reduce water use while meeting irrigation requirements. We will develop next steps in 2016 and begin implementing our strategy.

Our water use increased by 1% over 2014. We believe the increase can be attributed to warmer temperatures in the summer of 2015, which triggered the need for more water for irrigation. The vast majority of the water we use comes from U.S. municipal water systems. We report our water usage annually through the Carbon Disclosure Project (CDP), which is publicly available at CDP.net.

Waste Diversion and Recycling
According to the U.S. Environmental Protection Agency, more than 250 million tons of solid waste is generated annually in the United States, which makes this country the highest per capita generator of waste. Waste disposal requires resources, costs money and generates methane – a potent GHG emission that contributes to climate change. CVS Health’s retail pharmacies and clinics, distribution centers and corporate offices produce waste across multiple streams, each with specific disposal requirements. We are focused on reducing our solid waste impact by reducing material use and through diversion and recycling programs across our expanding operations.

Managing Waste at Retail
As a nationwide retailer, we must occasionally remove products from store shelves and dispose of them. Our priority is to divert any unsalable – but still usable – product from the landfill waste stream to its highest-value purpose through liquidation, donation and other reverse distribution mechanisms.

In addition to our goal to minimize consumer product waste through donation and liquidation, we want...
to ensure compliance with hazardous waste regulations. In 2015, we used in-store radio-frequency (RF) scanners to help manage product inventory – from shipping and warehousing to product disposal. The scanners read barcode information located on product labels and colleagues provide information about the condition of the product. This information, in conjunction with ingredient-level data and vendor instructions, is entered and the RF unit displays proper disposition instructions for unsalable goods. This allows us to ensure compliance on hazardous waste requirements, select the most appropriate disposition for products that cannot be sold, and enhance our day-to-day inventory management.

In many cases, we are able to donate unsalable items to local charities. These items are still usable and provide value to the charities and their clients, and this helps minimize waste. We view this as a win-win for our communities and the environment. In 2015, the value of these product donations was nearly $56 million, based on the cost of goods.

Reducing Material Use
It makes both environmental and economic sense to reduce the amount of materials we use so that we have less to handle through our diversion and disposal programs. We believe we are having an impact on material reduction and associated cost savings though our work with suppliers to reduce the inner packs on product packaging when feasible, by opting for lighter weight paper stock to reduce material input at source, and by introducing innovative packaging at Omnicare operations to cut medical waste.

Increasing Recycling Opportunities
CVS Health is continuously looking for opportunities to divert recyclable materials from landfill waste. We focus on high-volume materials, including plastic film, plastic bags and cardboard, customer- and employee-facing recycling programs for paper and plastic bottles and cans, as well as the proper recycling of electronic waste. We continue to make progress at our pharmacies, distribution centers and corporate offices, and at our pharmacy mail-order facilities.

Recycling at CVS Pharmacy
In an effort to increase opportunities that will reduce the impacts of our waste stream, we provide paper bags to customers who request them in all retail locations. We also adhere to all municipal ordinances that ban the free distribution of single-use plastic bags in favor of reusable and/or fee-based options – currently about 5% of our stores are in jurisdictions that ban the free distribution of plastic bags. We expect that a growing number of municipalities will adopt similar bans and we have developed monitoring and implementation programs to help us respond. Through these programs, we are committed to ensuring that our customers receive the service they expect while also balancing environmental and cost considerations.

Plastic bag recycling programs are available at a number of our retail locations for customers to bring in and recycle their used plastic bags. In 2015, we continued to add stores to this program, which helped divert more than 42,000 pounds of plastic bags from landfills, a 20% increase over 2014.

We also saw improvement in our existing single-stream recycling programs in stores in Connecticut and New Jersey, and in 2015 we implemented single-stream recycling in 351 stores in Massachusetts. This program allows different recyclable materials to be commingled for collection, with the aim of keeping more recyclables out of the disposal stream. In 2015, we recovered more than 1.6 million pounds of recyclable material through this program, compared to 1.1 million pounds collected in 2014.

Our stores also continue to maximize material recovery. For example, cardboard constitutes our largest recycling stream at nearly 120,000 tons recovered across stores, corporate offices and distribution centers in 2015, compared to 100,000 tons in 2014.

“The goal of our environmental management program is of course to ensure compliance with environmental regulations including hazardous waste disposal – but we also look for opportunities to reduce waste across our enterprise. We invest in technology to minimize the amount of products that enter the waste stream, and maximize donation and liquidation through our reverse distribution process. In 2016, we donated about $56 million in products to support community needs across the country.”

– Nicole Wilkinson
Director, Corporate Environmental

[Image]
We recovered 120K tons of cardboard across stores, corporate offices and distribution centers in 2015, compared to 100K tons in 2014.

7.9K tons of plastic were recycled in 2015.

8K pounds of plastic bottles and aluminum cans were diverted through store collection programs.

24K tons of other materials were recycled at retail stores, corporate offices and distribution centers.

42K+ pounds of plastic bags were diverted from landfills to our plastic bag recycling program, a 20% increase over 2014.
In addition to these programs, we diverted approximately 8,000 pounds of plastic bottles and aluminum cans through store collection programs, compared to 9,900 pounds diverted in 2014, as well as 185,000 toner cartridges from landfill through our mandatory cartridge refill program in place at all 7,900 locations.

Recycling at Distribution Centers
In our distribution centers, we recycle 89% of our waste, including 215 tons of plastic film, compared to 235 tons in 2014, and 48,388 tons of cardboard, compared to 49,218 tons in 2014. We also recycled 580 tons of plastic totes that we use to carry and ship many of our products, 324 tons of metal and 289 tons of other miscellaneous waste, which includes office paper and commingled recyclables.

Reducing Waste at Mail-Order Facilities
Since 2012, we have been recycling plastic film, cardboard and amber prescription vials at our Chicago mail-order facility in Mount Prospect, IL. In 2015, we recycled more than 914 tons at this facility. At our Wilkes-Barre, PA mail-order facility, we recycled nearly 350 tons of cardboard and commingled recyclables in 2015.

E-Waste Recycling
In 2015, we continued to partner with e-Cycle to recycle cell phones within our organization. By recycling wireless devices, we are helping to save energy and GHG emissions, essentially by avoiding the energy used to mine and process new materials. Recycling also helps avoid the use and disposal of toxins such as lead, mercury and arsenic. Through our work with e-Cycle, we collected 1,437 devices for reuse and recycling. This reduced the need to mine more than 200 pounds of copper, gold and aluminum; prevented nearly 30 million gallons of water from being contaminated; and saved enough energy to power more than 350 households with electricity for a day.

Medical & Pharmaceutical Waste Disposal
Pharmaceutical and other medical waste are broadly characterized as regulated waste. If improperly disposed of, these waste streams can be released into the environment where long-term exposure may cause harm to animals, plants and people.

Not disposing of unused or expired pharmaceuticals, especially controlled substances, also increases the risk of drug abuse or accidental poisoning. Proper disposal of hazardous waste is governed by strict procedures and guidelines. At CVS Health, we work with experts in hazardous waste disposal to ensure compliance while choosing the best environmental options to keep waste out of landfill.

Incorporating Green Building Practices
The manufacturing, design, construction and operation of the buildings in which we live and work consume a sizable portion of natural resources. In the United States, buildings account for 39% of total energy use and 38% of CO2 emissions, 68% of total electricity consumption, and 12% of total water use. At CVS Health, we recognize the long-term environmental and economic value of incorporating sustainable building design in our new building construction. We monitor best practices in green design through our participation in LEED training programs developed by the U.S. Green Building Council (USGBC), as well as by our home state of Rhode Island’s USGBC chapter. Our portfolio of 11 LEED-certified stores and facilities, particularly our Platinum-certified West Haven, CT store, has served as prototypes for our new construction projects. We continually incorporate design and construction characteristics of our certified green buildings that have a demonstrated ROI, such as energy and water efficiency features or sustainable materials. It was this process that, in 2015, prompted us to adopt LED lighting in all new construction and retrofits.

Based on a successful pilot in 2014, we began the roll-out of smaller-sized stores in 2015. At 6,000 and 9,000 square feet, these compact stores require less land, use fewer materials and are built with an emphasis on sustainability. We plan to continue this strategy of smaller footprint,

“For all of our retail construction and conversion projects, we follow a set of green building concepts that focus on reducing environmental impacts during construction, facilitate efficient operations for the life of the building and provide a healthy environment for our colleagues and our customers.”

– Stephanie Szneke
Sr Consultant, A&E Program Management
lower-impact stores, based on the needs of each store location.

Platinum Store Shines
Two years ago in West Haven, CT, we built a new CVS Pharmacy store that stands out among most other stores. In fact, this location became our first store to be certified LEED Platinum, the highest distinction awarded by the USGBC. With its innovative design and state-of-the-art environmental features, we are using this site to help identify best practices that can be incorporated into other stores and facilities.

In 2015, we got our first hard look at how our LEED platinum store performed and the results were even better than projected, with overall energy usage averaging 8.9% below forecast. In fact, energy savings exceeded expectations in virtually every area of the store, from pharmacy and exterior lighting to HVAC systems, water heaters and coolers. These results are informing our energy-efficiency strategies in LED interior and exterior lighting, day lighting, high-efficiency plumbing features and increased recycled content in materials used in other select locations. In 2016, we will explore additional green building options, leveraging the insights and data we captured from our West Haven, CT store.

Restoring Brownfields
Our first priority in new store development is locating the ideal site. Some of the sites we select for freestanding stores are classified as brownfields, land that may be contaminated by concentrations of hazardous waste or pollution as a result of its former industrial or commercial use. When we acquire a brownfield site for a CVS Pharmacy location we are required to remediate it before construction, making it a safe and viable property for our retail store and for the community. In 2015, we reviewed and improved our processes for this work, ensuring we have best practices in place to expedite remediation closure. In 2015, we remediated 68 sites that were classified as brownfields or required remediation, representing about one-third of new store constructions.
CVS Health Charity Classic
Since 1999, the CVS Health Charity Classic has been an annual company tradition, bringing world-class professional golf to New England and providing support to hundreds of nonprofit organizations throughout Rhode Island and Southeastern New England. In 2015, expanded recycling and composting efforts at the Classic resulted in 41% of waste being recycled or composted over the four days of the event, compared to 36% in 2014. In addition, members of the corporate environmental team showcased CVS Health’s commitments to environmental responsibility with an interactive trivia game for attendees. Giveaways to participants included seed cards and small bags of compost for planting.
We have product test requirements that state that animal testing is strictly prohibited.

100% cage-free eggs by the end of 2025
Sustainable Products and Packaging

CVS Health manufactures, distributes, and sells CVS Brand and private-label products across multiple categories, including cosmetics, personal care, over-the-counter medications, and, increasingly, healthy food.

It is our responsibility and it makes good business sense to ensure the products we offer are aligned with consumer demands for safe, effective, and environmentally preferred ingredients, and are sustainably packaged and labeled with sufficient information to educate consumers.

We discuss the sustainability of our expanding product portfolio in this section. To learn more about our "better for you" product lines, turn to Health in Action.

Focus: CVS Brand and Private Label Products

The evolution toward more sustainable products to satisfy customers’ expectations and reduce environmental impact is a process of continuous improvement, an approach we apply to our ingredients, packaging and labeling.

Choosing the Right Ingredients

Each of our CVS Brand and private-label products is subject to stringent standards of safety, quality and environmental responsibility, from creation to manufacture to store shelf.

At a minimum, our ingredient strategy starts with compliance with all federal and state requirements. Our aim is to be an early adopter of proposed or impending regulations. Our products must also conform to our high internal standards for quality and safety. They must also satisfy evolving and increasing consumer demands for environmentally preferable products.

We apply heightened rigor to the chemical ingredients that we use in formulating our products. Our quality assurance team actively engages in collaborations to learn more about chemicals of consumer concern (CCCs) and safer alternatives. Through participation in such organizations as the Green Chemistry and Commerce Council within the Retail Leadership Group and the Sustainability Consortium, as well as with our industry peers and product and chemical manufacturers, we continue to strengthen our understanding of emerging opportunities to enhance the safety of our products and to develop common goals in sustainable chemical management.
We also utilize RF scanning software to increase the transparency of product ingredients and to require suppliers to disclose chemical-based ingredients in certain product categories and for new or reformulated products. The table on the next page identifies some of the product categories and criteria we track. Using the RF scanner, we can identify the ingredients that are in all of the products we carry. We use the data to ensure compliance with regulations on safe handling, transport and disposal, as described in the Waste section of this chapter. We are also able to identify non-compliant products that contain restricted ingredients or are on our list of CCCs. In 2015, we invested in a new monitoring tool, which further increases our visibility into the sustainability of our supply chain by allowing us to look deeper into the ingredient profile of products.

In addition to monitoring the chemicals used in our products, we actively identify and prioritize the replacement of CCCs with safer alternatives in certain CVS Brand categories, including beauty, baby and personal care, and food products. As new, conclusive research is published on how certain chemicals ingredients are linked to health and environmental risks, and safer alternatives are made available, we apply our Cosmetic Safety Policy. This policy outlines our commitments to customer safety, scientific research, supplier collaboration and continuous improvement as well as the evaluation and replacement of CCCs in CVS Brand products. In 2015, we began the process of developing a sustainable products policy to further inform our strategy and commitments. In the future, we will work on developing standards or leveraging ones already established by credible third-party partners for specific product categories.

We also continue to be proactive in this regard by looking for opportunities to bring more sustainable, “free-from” products to market that are cost-effective and meet our performance standards, as we did in 2015 with the introduction of an exclusive line of personal care items called Promise Organic, which are made from 100% naturally derived ingredients.

In 2015, we addressed certain priority ingredients to go beyond existing or pending regulations:

- Triclosan, an ingredient added to certain soaps, cosmetics, toys, and other products to reduce or prevent bacterial contamination, was removed from all CVS Brand products as well as most name brand products we stock in 2015.
- Microbeads, small plastic spheres that are used as exfoliant agents in cosmetics, skin care and personal care products, were mandated to be removed from all CVS Brand products formulation at the end 2015, ahead of regulatory requirements. We will be replenishing our inventory throughout 2016 with plastic microbead-free formulations while we sell through our existing inventory.
- Formaldehyde, used in certain baby products, was removed in CVS Brand products in our stores across the country to comply with new regulations banning the substance in child products in the State of Minnesota. In addition, ahead of regulations, we removed the chemical from select non-medicated adult cleansing wipe products.

Packaging

Product packaging helps to maintain the product integrity, ensures consumer safety, and allows the product to be distributed and displayed with ease. It also provides a place to provide consumer information and education. But packaging also requires raw materials and resources for manufacturing, and it creates waste at the end of a product’s useful life. We are mindful of the impacts associated with packaging and continue to work with our suppliers to influence packaging design for most of our CVS Brand products. We also partner with our national brand vendors on their packaging efforts.

We work directly with CVS Brand suppliers to address issues related to labeling, primary and secondary packaging, and hazardous waste related to material packaging. We actively encourage them to minimize or eliminate inner packaging and use recycled materials.

We also respond to customer concerns. For example, as customers’ interest in product ingredients has increased, so too has their desire to “see” the products they are purchasing.
In response, we now package some CVS Brand vitamins and pain relief products in clear, sealed bottles with the contents visible from the store shelves. Because this also eliminates the boxes that previously held the bottles, we have also reduced the amount of cardboard packaging we create through this effort.

Labeling and Transparency
Consumers are demanding greater transparency when choosing products to purchase. Increasingly they want to understand the source of ingredients and supply chain practices. Our new product-database technology will give us the opportunity to gather more of the information our consumers want. Our first step will be focused on our Gold Emblem food products.

While we have employed a robust practice around label claims for many years, we increased its rigor in 2015 to give our customers more confidence in the product label information provided. For example, we are asking suppliers who make claims based on studies to provide us with validation of the study’s methodology and results. We also perform due diligence on certifications used to classify organic, non-genetically modified organism (GMO), and other claims to ensure their reliability. We began the first phase of rolling these practices out to suppliers in November 2015.

Through our supply chain compliance tool, WERCSmart, we are able to monitor product ingredients. We require all suppliers to register ingredient information for all the chemical-based, over-the-counter health, pesticides, aerosols, battery and other hazardous material products sold in our stores. This allows us to better identify which products have certain chemical ingredients and determine the best methods for meeting federal and state regulations for safe handling, transport and disposal.

### Registration of Ingredient Information

<table>
<thead>
<tr>
<th>Product</th>
<th>Criterion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chemicals</td>
<td>Any product that is advertised or labeled to kill, repel, or prevent the growth of any living organism (e.g., anti-microbial products and pesticides)</td>
</tr>
<tr>
<td></td>
<td>Any product that contains a powder, gel, paste, liquid, or gas, and is not intended for human consumption</td>
</tr>
<tr>
<td></td>
<td>In addition, the following products also must be submitted, even though they are intended for human inhalation, consumption or absorption:</td>
</tr>
<tr>
<td></td>
<td>• Liquids, lozenges, pills or capsules (e.g., pain relievers, vitamins, water pills)</td>
</tr>
<tr>
<td></td>
<td>• Any other over-the-counter medication or supplement of any kind (e.g., nicotine replacement therapies, antihistamines)</td>
</tr>
<tr>
<td></td>
<td>• Medicated swabs, wipes and bandages</td>
</tr>
<tr>
<td></td>
<td>• Patches (heated and/or medicated)</td>
</tr>
<tr>
<td></td>
<td>• Liquids (e.g., soap, shampoo, cough medicine, eye drops, ear drops, nasal spray, inhalers)</td>
</tr>
<tr>
<td></td>
<td>• Medicated shampoos, grooms, ointments and creams (e.g., suntan lotion, antibiotic cream)</td>
</tr>
<tr>
<td></td>
<td>• Lip balm, lip creams and petroleum jelly</td>
</tr>
<tr>
<td></td>
<td>• Skin lotions, creams and ointments</td>
</tr>
<tr>
<td></td>
<td>• Contraceptive foams, films and spermicides</td>
</tr>
<tr>
<td></td>
<td>• Equipment sold with chemicals (e.g., vaporizer sold with medication, air fresheners, gel shoe inserts)</td>
</tr>
<tr>
<td></td>
<td>• Cleaning products</td>
</tr>
<tr>
<td></td>
<td>• Cosmetics</td>
</tr>
<tr>
<td></td>
<td>• Perfumes</td>
</tr>
<tr>
<td>Aerosols</td>
<td>Any product that contains a compressed gas or propellant; includes bag on valve (e.g., spray cheese, continuous-spray sunscreen)</td>
</tr>
<tr>
<td>Batteries</td>
<td>All batteries, any product that contains a battery of any kind</td>
</tr>
<tr>
<td>Electronics</td>
<td>Any product that contains a circuit board (e.g., blinking lights or making sounds)</td>
</tr>
<tr>
<td>Food</td>
<td>Cooking oil, energy bars, dietary supplements and vitamin drinks</td>
</tr>
<tr>
<td>Light Bulbs</td>
<td>Any fluorescent, incandescent, LED, halogen, neon, mercury vapor, or high-pressure sodium bulbs</td>
</tr>
</tbody>
</table>
Internal and External Engagement Around Sustainability Vision

We believe the most effective way to achieve our sustainability goals is by engaging our colleagues, as well as our suppliers and other external stakeholders. Through their engagement, our colleagues increase the impact of our programs and initiatives.

CVS suppliers are also an integral part of our success, providing us with high-quality materials, services and products that help us meet the needs of our customers, patients and clients. Stakeholders want companies to increase transparency in their supply chains in order to assess potential risks – both environmental and social, including risks related to human rights. Consumers are also interested in knowing where their products come from, the source of the materials or ingredients in them, and the working conditions of the people who made them.
Focus: Supply Chain Sustainability

We have a growing portfolio of private-label and CVS Brand products, and we work with our suppliers to ensure compliance and transparency through our Supplier Ethics Policy. Ingredient compliance is monitored through data collection tools that give us increased visibility into our supply chain. We provide details and results of our supplier audit program in the Leader in Growth section of this report.

Supplier transparency begins with compliance reporting. All CVS Health suppliers must, at minimum, comply with state and federal environmental laws and regulations. They must also comply with our Supplier Ethics Policy, which contains specific environmental and social criteria that suppliers are evaluated against as part of our factory audit process. These include whether a supplier has a written environmental policy, if they have implemented an environmental management system, and if they have obtained environmental certifications, among other criteria.

Reducing the Impacts of Deforestation
Forests provide vital service to our ecosystems, including carbon sequestration to mitigate GHG emissions, which has prompted some stakeholders to campaign for the preservation of our forest lands. The global expansion of agricultural activities represents the most significant threat to deforestation.

At CVS Health, we are concerned about deforestation because it contributes significantly to climate change, which we believe will impact human health. We are committed to taking a proactive approach to minimize our impact on deforestation, and in 2015, we established a target to measure our progress in sustainable paper procurement:

• Procure 100% of the paper stock we use from sustainable sources by 2020.

In addition to sustainable sourcing of paper, we have also taken a position on the responsible sourcing of palm oil.

Paper
CVS Health uses a significant amount of paper for business operations –
more than 73,000 tons each year. This includes paper for in-store receipts and bags for pharmaceutical purchases, PBM member mailers, weekly fliers and other marketing materials, as well as corporate document printing.

Two years ago, we initiated a long-term, chain-of-custody strategy to transition the paper we use to sustainably sourced and/or recycled-content stock, beginning with a focus on circular, direct mail and office stocks. We have made good progress: approximately 86% of the paper we use across the enterprise is sustainably sourced, and 43% is certified by the Forest Stewardship Council (FSC). But we know we can do better. We plan to assess our procurement processes in 2016 to ensure we can make consistent progress toward our target.

Our 2015 progress includes the following achievements:

- **Consumer product circulars:** In 2015, we finalized agreements that will facilitate the transition of our circulars to FSC-certified stock. In the first quarter of 2016, approximately 18 tons of circular paper – one third of our total 55,000 tons used annually – will be FSC-certified. Our goal is to complete the transition of all circular paper to FSC by 2017.

- **Direct Mail:** In 2014, we stated our intent to include at least 10% post-consumer recycled content in 100% of the paper we use for direct mail. While our results were not as strong as the year prior, we ended 2015 with 44% of our paper used for direct mail containing recycled content, which was seven times the volume from our 2013 baseline year.

- **Business stock:** We maintained our program of selecting lighter-weight eucalyptus stock for the 5,712 tons (approximately one billion sheets) of paper used annually in store and office printing and copying.

**Palm Oil**

Palm oil production is a concern because some agricultural practices clear tropical forests for land to increase production. We apply robust standards in the creation and production of each of our CVS Brand and private-label products to help ensure the highest level of quality and safety, including identifying opportunities to design product formulations to meet evolving and increasing consumer demands for environmentally preferable products. We provide more detail on the work we have done in this area in Sustainable Products and Packaging.
Focus: Engaging Colleagues in Sustainability

We believe our sustainability initiatives will have the greatest impact when our colleagues are informed and engaged in them. As a health care company, we believe sustainability is an important lens for our decision-making and business practices, especially when we consider the impact our operations can have on the health of people and the planet.

We also reach out to external stakeholders, who are able to provide us with a wider view of the sustainability issues that impact our business. We are members of a number of industry groups and consortiums and, early in 2016, we engaged a multi-stakeholder panel with the help of Ceres to provide feedback on our sustainability strategy, especially those areas most material to our business.

We continue to develop ways for our colleagues to engage. In 2015, we continued to promote our online colleague sustainability platform, which encourages colleagues to track their personal sustainability actions, such as biking to work, carpooling, printing on both sides of the page, turning lights off, and using a reusable water bottle.

For years, our Colleague Resource Groups have been successful at engaging our people around their shared experiences or interests. In 2015, a new group was in the works — the Green Colleague Resource Group, which will bring together colleagues interested in sustainability. The group will be formally launched in 2016.

**Linking Sustainability to Compensation**

Sustainability is becoming an increasingly important component of business strategy and, as it does, the argument for linking management’s compensation to sustainability performance is gaining ground.

At CVS Health, each pillar within our CSR strategy — Health in Action, Planet in Balance, Leader in Growth — has an executive-level sponsor who also has accountability to achieve the pillars’ priorities and goals as part of his or her business plan. Remuneration of executive officers, as well as business unit and facility managers, is partially linked to performance against these business plans.

**Sustainability Committees**

We have established committees and task forces that meet on an as-needed basis to provide guidance on sustainability-related decisions and initiatives. These include:

- **Energy Technology Assessment Committee**: Works to identify opportunities across our operations to reduce energy and GHG emissions while also lowering costs

- **Sustainability Leadership Council**: A team of leaders who meet periodically to discuss our sustainability strategy and set our carbon reduction goal

- **Executive Management Council**: A group of senior-level corporate executives representing all business units at CVS Health, who direct the overarching strategy, policy and implementation of our Environmental Management Program and advise our CEO on the program’s performance.
Leader in Growth
CVS Health has experienced exceptional growth in recent years, becoming one of the world’s largest companies and a leader in health care. With growth comes responsibility. Through our Leader in Growth pillar, we leverage the power and scale of our business to create economic opportunities and value for colleagues, customers, suppliers and investors.

All expect us to lead with innovation and integrity. And we are doing that, with the passion and dedication of our diverse and engaged workforce, sound enterprise-wide governance practices and a commitment to high ethical and environmental standards within our workplace and across our supply chain.

Our approach is rooted in our Code of Conduct and our corporate governance policies. It is also embedded in our Prescription for a Better World framework, which outlines our strategies to be a Leader in Growth in three areas highlighted in this section:

• Safe, Rewarding and Inclusive Workplace
• Regulatory Compliance & Voluntary Standards are met or exceeded
• Supply Chain Responsibility
1.5K colleagues have been placed in pharmacy technician apprenticeships since 2005.
By 2020, we intend to double this program.

90% of colleagues and 75% of spouses participated in the WellRewards program in 2015.

CVS Health contributes an average of $1.1K annually per enrolled colleague to their Health Savings Accounts.

1.9K+ people were hired through our Welfare to Work initiative in 2015.

At the end of 2015, 86K+ colleagues were enrolled in the CVS Health Plan.

1.15M+ jobs in 2015
83K retail locations
11K corporate offices and distributions centers
1.3K MinuteClinic
20K youth hired for summer positions

7M+ courses were completed in 2015, by our colleagues through LEARNet
Safe, Rewarding and Inclusive Workplace

CVS Health’s more than 240,000 colleagues contribute to our company’s success, and we are committed to supporting them through training and development opportunities, competitive wages and benefits, and best practice health and safety programs.

We believe our growth will continue and create the potential for more new jobs throughout our enterprise. It is essential to have a great workplace environment and career opportunities that attract and retain talented colleagues – individuals who have the specific skills needed to deliver on our purpose of helping people on their path to better health – whether the positions are in our retail pharmacies, retail health clinics or other areas of our business.

Our focus on building a great workplace to attract and retain exceptional colleagues is a key element of our Leader in Growth pillar.
Focus: Job Creation, Best-in-Class Workplace and Career Opportunities

We invest in career development opportunities to help our colleagues advance within our business. We also invest in outreach programs to attract new colleagues from an increasingly diverse talent pool. And we continue to invest in programs that keep our colleagues safe at work, as well as ensure that they uphold our workplace practices and policies.

Creating Jobs
As our company has grown, many new jobs have been created. Job creation not only provides a livelihood for people, it also spurs economic activity within local communities. In 2015, we hired more than 83,000 new colleagues at our retail locations, more than 11,000 at our corporate facilities and distribution centers, and nearly 1,300 at MinuteClinic. In addition, we filled thousands of newly created positions across the enterprise and hired more than 20,000 youth in full- and part-time summer positions. Beyond this, we also employed 1,500 trainees in registered apprenticeships as pharmacy technicians and assistant store managers, provided experiential learning opportunities to 2,298 colleagues, and in total have created more than 100,000 opportunities for individuals to transition from public assistance to meaningful jobs and career paths.

Investing in a Future Workforce
Demand for qualified health care professionals is rising at an unprecedented rate. Attracting health care professionals to CVS Health is critical to our success, and we have put programs in place to ensure we remain an employer of choice.

Cultivating New Pharmacy Professionals
We continue to invest in partnerships and programs that help attract youth to careers in pharmacy and health care. One such program is Pathways to Pharmacy. Since 2006, this program has introduced more than 1 million under-served young people to the world of pharmacy, inspiring them to consider careers in our industry by providing training through job shadowing or internships in CVS Pharmacy stores.

Our Registered Apprenticeship program is another example of how we are opening doors to pharmacy careers. Since 2005, we have successfully placed more than 1,500 colleagues in apprenticeship career tracks as pharmacy technicians.

We recently announced our intention to double the size of this program to 3,000 participants by 2020, which President Obama highlighted during his 2015 State of the Union address. In 2015, we also introduced our first apprenticeships in store management. Our goal for 2016 is to expand the scale of our apprenticeship program from three states to 10. We are also exploring new apprenticeships in nursing to support our MinuteClinic expansion and in information technology, to support our focus on digital initiatives in health care.

We also offer Pharmacy Residency & Fellowship Programs, which are designed to develop the professional and clinical skills of our pharmacists and cultivate their leadership talents. And we are helping to prepare our future workforce through the CVS Health Foundation Pharmacy Scholarship program, which supports the most promising pharmacists of tomorrow as they complete their education. The Foundation distributes scholarships to pharmacy schools across the country and provided $550,000 in scholarship funding in 2015. In 2016, we launched a scholarship program through the CVS Health Foundation to support nurse practitioners and physician assistants.

Building Retail Careers
Our investments in workforce development have helped us meet the need for good jobs in the communities we serve while also meeting our own need for colleagues who can deliver the best customer service in our industry.

We have established six Regional Learning Centers (RLCs) to help attract and cultivate talent interested in retail careers, providing a pipeline of potential hires for both hourly and management positions in our largest markets. Operating in collaboration with community colleges and other community service partners, our centers supported the training and development of more than 16,000 CVS Health retail colleagues in 2015 and, through our partnerships, provided valuable pre-employment skills and continuing education to an additional 125 job seekers.

Early in 2016, we opened a new RLC specifically to hire veterans, current uniformed service members and military spouses. We plan to add another RLC in 2016 in Chicago to help thousands of additional people build customer-service and health care-related jobs skills.

In addition, our RLCs support our continued investments in programs that facilitate hiring new colleagues who were previously on public assistance prior to joining our workforce. In 2015, we hired more than 1,960 people through our Welfare to Work initiative, and measured a 65% retention rate of these colleagues compared to an average of 37% of employees at other retailers.
Advancing the Careers of our Colleagues

Career development opportunities are important to our colleagues and a priority area for our company. With more than 40% of our workforce under the age of 30, it is important that we provide colleagues with opportunities that support their professional growth. We have created a suite of leadership training programs for both retail and enterprise colleagues.

Retail Leadership Programs

- **Foundations for Leading and Learning**, introduced in 2014, was designed for store and pharmacy managers who want to build their leadership skills and prepare for advancement. In addition to classroom sessions, participants take part in action-learning assignments and experiential mentorships over a 10- to 12-month period. More than 730 store and pharmacy managers participated during 2015.

- **Emerging Leaders** provides development opportunities, including key learning exercises as well as mentoring and coaching sessions, for colleagues on career paths for district manager, pharmacy supervisor, region manager or human resources business partner roles. After meeting defined, role-specific requirements, individuals participate in virtual job try-outs and area-level round-robin interviews.

- **Leads Program** is a classroom-based leadership development program geared toward all newly promoted district managers, pharmacy supervisors and MinuteClinic practice managers.

Enterprise Leadership Programs

- **Foundations for Leading and Learning** provides newly promoted first-level managers and leaders with a deeper understanding of the enterprise business. Participants attend classroom and online sessions over a 12-month period. In 2015, approximately 300 new managers participated.

- **Enterprise Leadership** is a newly developed, mid-level leadership initiative in partnership with Duke Corporate Education. It will provide targeted leadership training to approximately 300 mid-level enterprise colleagues. The program will be launched in 2016.

- **Leaders of Tomorrow** provides high-potential, mid-level colleagues from across the enterprise with cross-functional learning and accelerated leadership development sessions over an 18-month period.

Enterprise-wide Training and Development

All CVS Health colleagues receive orientation and training specific to their roles when they are hired. Through LEARNet, our online portal that helps colleagues plan and manage their formal learning, we also provide ongoing opportunities for colleagues to upgrade skills using 40,000 learning activities across a variety of areas, such as project planning and time management. In 2015, colleagues completed more than 7 million courses.

Delivering Comprehensive Benefits and Compensation

Our colleagues are provided with a benefits package that is comprehensive, competitive and customizable to meet their personal needs and goals. But benefits and compensation come in many forms, which is why we also invest in wellness programs, recognize our colleagues for their achievements, and invite their feedback to learn how we can improve their workplace experience.

“Diversity is an important part of our culture and we provide programs designed to educate, equip and empower our colleagues to lead from where they are, no matter where they sit in the company. Our Colleague Resource Groups (CRGs) are one of the primary ways we engage, support and leverage the diversity of our workforce. We continue to see increased participation annually in our CRGs and in 2015, we saw representation from more than 5,000 colleagues across 47 states and have found that those colleagues are more engaged in their jobs, our company and their communities.”

– David Casey
VP, Workforce Strategies and Chief Diversity Officer
Our benefits package for all colleagues who work 30 or more hours per week includes: comprehensive medical and prescription coverage with a company contribution to a Health Savings Account (HSA); vision and dental coverage with contributions payable on a pre-tax basis; a 401(k); a colleague stock purchase plan; adoption benefits; life, accident and disability insurance; supplemental medical options; flexible spending accounts for health and dependent care; paid time off; tuition reimbursement; and a colleague discount at our stores, as well as access to many other colleague discounts.

Colleagues who work fewer than 30 hours per week are eligible for a different benefits package, which includes supplemental medical options, dental and vision coverage, as well as supplemental life insurance, all of which are paid for by the colleague on a pre-tax basis. As a result, approximately 3,800 retail colleagues who were working an average of 30 or more hours per week over a 12-month measurement period became eligible for our full-time benefits package. At the same time, approximately 1,800 colleagues who were working less than 30 hours per week and were no longer eligible for company subsidized medical coverage were provided assistance in navigating the public marketplace to find affordable coverage suited to their individual needs.

Our company is also committed to providing fair compensation to all of our colleagues, and we meet all state and federal minimum wage requirements.

Helping Colleagues On Their Path to Better Health
Our purpose of helping people on their path to better health is at the heart of our colleague health and wellness programs. Over the past few years, we have introduced resources and incentives to encourage colleagues to make healthier choices and take responsibility for their health care spending.

Health Savings Accounts
The comprehensive health benefits plan that we offer our colleagues is a High Deductible Health Plan (HDHP), coupled with a contribution to their HSA. We began the transition to this model in 2013 and completed it in 2014. The benefit of an HSA is it enables colleagues to save pre-tax dollars in an interest-bearing bank account and use the funds to pay their out-of-pocket health care expenses. The company’s annual contribution to colleagues’ HSAs varies by colleague salary level, the lower the salary, the higher the company contribution to allow for affordable health care for all colleagues. On average, we contribute $1,100 annually per enrolled colleague. In addition, close to 60% of colleagues contribute their own money to their HSA each year. We believe this type of plan encourages personal accountability and better health care consumerism.

Based on preliminary results, our colleagues are adopting more cost-effective health care spending habits, such as opting for generic medications over brands and using more affordable places of service, such as MinuteClinic, without sacrificing necessary care.
As we have gained a better understanding of our colleagues’ evolving needs, we have refined the program. For instance, we introduced an HSA feature that helps colleagues with cash flow concerns to pay for health expenses by borrowing against future semi-annual company contributions. This feature is called HSA On-Demand and was launched along with a new HSA website that makes paying for health care expenses very simple for plan members. We also launched a technology platform that allows our colleagues and their spouses to evaluate and compare the cost and quality of health care providers within their carrier’s network for services they need. And we responded to the needs of our diabetic colleagues, adopting 100% coverage of brand-name insulins that are not available as generics.

At the end of 2015, more than 86,000 colleagues were enrolled in the CVS Health Plan. Early in 2016 another 6,000 colleagues at former Target pharmacies joined the plan, and we will convert another 8,000 Omnicare colleagues to our plans in 2017.

WellRewards
WellRewards, our preventive health and wellness program for colleagues introduced in 2012, offers incentives, including a $600 reduction in paycheck contributions each year, for colleagues who undergo an annual free health screening and complete an online health assessment. In 2015, we added an additional $600 per year reduction in paycheck contributions for colleagues whose spouses also participate. Participation has been strong: 90% of our colleagues and 75% of spouses participated in the program in 2015. Based on this high level of engagement, in 2016 we will give colleagues and spouses who are in good health, as measured through their 2015 blood glucose, blood pressure and cholesterol readings, a screening exemption. This means they can skip the in-person portion of the annual health assessment as a reward for good health.

Since taking our stance on tobacco, we launched an incentive program to encourage CVS Health colleagues who use tobacco to quit. We know that employees who use tobacco cost close to $6,000 more per year than non-tobacco-using employees, due to absenteeism, smoking breaks and excess health care costs. We also know that tobacco is a difficult habit to break and research shows that incentive-based programs, especially those that require participants to pledge some of their own money as part of the challenge, tend to be more successful. Our incentives focus on both users and non-users of tobacco.

For colleagues enrolled in our health plan and who pledge to live tobacco-free, we deposit $50 in their HSA each June 1st. If the colleague’s spouse does the same, the contribution doubles to $100.

To encourage colleagues who use tobacco to quit the habit, we introduced 700 Good Reasons, an incentive program that is open to all colleagues regardless of whether they participate in our health plan.
The program requires participants to commit to stop using tobacco and back it up with a $50 deposit of their own money. Those who test tobacco-free after six months receive $200 from CVS Health. After 12 months, if a test shows that the colleague is still tobacco-free, we give the participant an additional $500, and return their initial $50 deposit. In the first six months of the program, approximately 1,000 colleagues signed up and made their $50 deposit.

**MinuteClinic Services**
All of our colleagues can take advantage of a suite of MinuteClinic preventive services that are offered free of charge – from biometric screenings and weight management, to smoking cessation and flu shots. When colleagues covered by our health plan get sick with a common illness like an ear infection or a sinus infection, they can visit a MinuteClinic and pay a reduced price of $45 until they meet their deductible. After they meet their annual deductible, MinuteClinic sick visits are free for the rest of the plan year.

**Measuring Health Outcomes**
We have been tracking our Organizational Health Score (OHS) since 2012. The OHS combines the aggregate data from our colleagues’ health assessments and biometric screenings into a single actionable metric to reveal our workforce’s combined health risk. Having this metric helps us invest resources and design programs to address health opportunities where we can have the greatest impact. Overall, CVS Health’s score is slightly better than the study’s benchmark, but the most significant health risk to our company is obesity, with a higher prevalence of diabetes and hypertension. We are using this information to inform new program development and areas of opportunity for increasing colleague engagement in health.

**Rewarding Colleague Commitment**
Recognition is an important element of the workplace experience at CVS Health, and we believe hard work and a commitment to our purpose should be rewarded and celebrated. Examples of our recognition programs include the following:

- **Paragon Awards:** Recognizing colleagues who have had an extraordinary impact on their work or in their community.
- **CEO Awards:** Presented to colleagues who work in the corporate setting who have led major initiatives, championed teamwork, generated innovative ideas, increased revenue or shown leadership around our core values.

- **Values in Action Breakthrough Awards:** Celebrating colleagues whose ideas, actions and behaviors have led to a breakthrough that exemplifies our company values of innovation, collaboration, caring, integrity and accountability.
Engaging Colleagues
Employee engagement is a key factor for success in today’s business environment. Engaged colleagues are involved in, enthusiastic about and committed to their work and workplace, and their engagement delivers increased productivity, improved customer service and reduced employee turnover.

Measuring Colleague Engagement
We have been surveying full- and part-time CVS Health colleagues every year for nearly two decades. In 2015, we received an 86% response rate.

We learned that our colleagues continue to be highly engaged. They care about the future of CVS Health and are willing to give extra effort to help the company succeed. They also support our company’s cultural and strategic goals and understand how the work they do aligns with the company’s purpose. They would like more resources to help them accomplish their work and additional training and development opportunities to help them advance their careers. They also believe we can better enable innovation in the workplace by enhancing organizational agility.

We have responded to colleague input by implementing new engagement, recognition and leadership initiatives that will reward agility and spur the innovative solutions that drive success. As we do every year, in our 2016 survey we will ask colleagues the degree to which the company addressed the issues they raised.

Volunteering in Local Communities
Giving back to our local communities aligns with our purpose of helping people on their path to better health and is important to our colleagues. We engage them in a variety of ways, including participation in company-sponsored community events and programs, and recognize and reward their volunteer efforts. In 2015 alone, colleagues volunteered their time to causes they care about, which is valued at approximately $1.5 million. We believe volunteerism is such a vital measure of employee engagement that we have introduced a target to measure our progress in this area:

- Increase the number of hours our colleagues volunteer by 10% year-over-year.

Building a Culture of Safety
Providing a safe workplace is also fundamental to our company’s purpose. At a minimum, we want to ensure that every CVS Health colleague returns home safely from work every day. A safe workplace is a more efficient workplace, reducing lost productivity, increasing product and service quality, reducing workers compensation costs and contributing to employee engagement.

While CVS Health has a limited number of colleagues in high-risk working conditions, our retail stores, distribution centers, and other business units present a range of employee safety issues that demand our attention. We are creating and reinforcing a culture of safety through programs that focus on personal responsibility and continuous improvement.

Our safety program is supported by our Environmental, Health and Safety (EH&S) group through a dedicated Safety Team. Team members regularly visit our workplaces and work with colleagues to identify and address potential hazards and assess opportunities for process improvements. The program itself is continually evolving to respond to emerging concerns and to ensure we have the best practices and training in place to keep our colleagues and customers safe.

Safety Training
Our safety professionals receive formalized skills assessments and training to ensure they have the necessary tools to address the needs of our work environments. Our Safety Team works with different colleague groups and business units across the enterprise to update and implement more than 20 safety-related trainings and protocols, including powered industrial truck training, ladder safety, workplace violence prevention strategies, property protection and procedures to control exposure to bloodborne pathogens. Our commitment to continuous improvement not only helps us ensure ongoing regulatory compliance, it also supports consistent implementation of safety policies and procedures as our company grows.

Enhancing Safety Practices
In 2015, we initiated a program to enhance our safety culture by providing our district, retail and store managers with tools to proactively identify, assess and develop responses to the safety risks they see in their day-to-day work. We aim to build on this initiative in 2016 by embedding safety into all routine district and regional network meetings.

We also continued to expand our emergency response program to our corporate and distribution facilities. When we introduced the program in our retail stores in 2013, we enlisted the support of a number of colleagues who volunteered and were trained to serve on facility-focused Emergency Response Teams (ERTs). The teams are capable of leading emergency response efforts, including fire evacuation, shelter-in-
place operations, and life-saving first aid. We currently have ERTs in five corporate facilities and will continue to build our enterprise-wide capabilities in 2016.

As we expanded better-for-you food choices in our retail stores, we also continued to develop our Food Protection Program, working with our retail and food product managers to ensure that tools and best practices are in place to manage the safety of our growing array of fresh food options.

**Measuring Safety Performance**

We measure the success of our safety programs using a variety of tools, including a Toluna Scorecard, Workers’ Compensation Claims, third-party assessments, peer monitoring for best practices, and engagement in industry safety roundtables.

In 2015, we developed a safety dashboard that allows us to analyze our incident frequency rate across the enterprise and at the facility level. This increased transparency is helping us prioritize resources, improve safety programs, benchmark against Occupational Safety and Health Administration (OSHA) industry standards as well as similar retail operations and drive a culture of safety throughout the company.

Our recorded incident rate in 2015 was 4.39; it was 3.97 in 2014, better than the 4.8 industry average for that same year.* Industry data was not available for 2015 at time of this publication. We had zero “high-gravity” OSHA citations in 2015.

* Incident rate measures incidents per 200,000 work hours.
Creating Robust Workplace Practices and Policies

We are committed to creating a welcoming, inclusive and productive workplace where all colleagues feel safe and empowered to contribute at their highest levels. These principles are outlined in our Code of Conduct, which states that our workplace should be free from discrimination and harassment, threats or acts of violence or intimidation. In addition, it should provide all colleagues an equal opportunity to grow and develop their careers and be appropriately compensated for their contributions to the company’s success. All colleagues receive and acknowledge our Code of Conduct when joining the company and revisit it annually through training.

CVS Health’s Compliance team, with support from the Legal Department, plays a role in assessing any potential code violations and corrective action, as needed.

We have professional and productive relationships with our union colleagues and their representatives and recognize the rights of our colleagues to decide whether or not to join a union – which is included in our company policies.

We also comply with local labor laws regarding employment of youth. The minimum age of employment at CVS Health is 16, or older in some instances.

Zero “high gravity” OSHA citations in 2015

We are committed to creating a welcoming, inclusive and productive workplace.

Emergency Response Teams (ERTs) were implemented in our retail stores in 2013. We currently have ERTs in five corporate facilities and will continue to build our enterprise-wide capabilities in 2016.
Focus: Colleague Diversity

Since the first CVS Pharmacy store opened in 1963, CVS Health has gone from a small local business to one of the largest companies in the world. Along the way, we have become a much more diverse workforce. It is our goal to ensure the diversity of our colleagues reflects the diversity of our customers and the communities we serve.

Our approach to diversity management includes four primary objectives:

- Reflecting the marketplaces we serve and the demographics of our communities through our workforce diversity management in each of their business units or departments.
- Area Diversity Leadership Teams, which are established in all of our retail markets, as well as in the logistics, information systems and retail pharmacy departments, are responsible for translating and executing the enterprise diversity management strategy at the department and business unit level.
- Putting policies, practices, programs and procedures in place that enable us to develop and retain the best diverse talent.
- Ensuring alignment with and engagement of external partners, customers, clients and communities.

Engaging Our Colleagues through Diversity Programs

Diversity is an important part of the culture at CVS Health, and colleagues are encouraged to take advantage of a number of programs that support diversity in the workplace. We provide a variety of diversity-related and cultural competency training materials, which colleagues can access through our online learning portal. In 2015, we introduced a new training module that defines key terms and introduces our strategic framework for managing diversity, discusses three approaches to managing diversity and reviews a decision-making framework. Additional diversity-specific content was added to our library, including an offering titled Understanding the ‘T’ in LGBT.

Strengthening Diversity Networks

Our CRGs are another essential way CVS Health supports and celebrates diversity among our colleagues. CRGs align with the strategic diversity management business process and must support the four objectives of workforce representation, colleague engagement, talent development and marketplace diversity. Our colleagues who participate in CRGs also tend to be more engaged in their jobs and the company, therefore, we have established a long-term target to encourage more colleague participation in CRGs. Specifically, our target is to:

- Increase participation in CRGs to 10% of our workforce by 2025.

At the end of 2015, there were 13 national CRGs, with discussions underway to form a “green” CRG for colleagues interested in advancing environmental sustainability initiatives. Some CRGs formed regional chapters, and at year-end there were 42 chapters. In total, CRGs engaged 4,686 colleagues in 47 states and 20% of these engaged colleagues participated in more than one. CRG members also contributed approximately 2,200 volunteer hours to community initiatives in 2015.

Colleagues who are interested in launching a new CRG or establishing a regional chapter are given guidance on how to do so and if approved they are sponsored by the company. We also encourage the CRGs to get active in the broader community as representatives of CVS Health.

Attracting and Retaining a Diverse Workforce

CVS Health has entered into more than 700 local and national collaborations with diversity organizations to reach and attract diverse candidate pools from across the country. Our broad range of partnerships support our Talent is Ageless and Abilities in Abundance programs, as well as our recruitment efforts targeting youth, and veterans and their families. A few of our partners include the American Society on Aging, Goodwill Industries, the Hiring Our Heroes program and President Obama’s Summer Jobs+ initiative.
Hiring Mature Workers
The U.S. population is aging, with nearly a quarter of the population age 55 or older. CVS Health believes mature workers are an untapped talent pool of people who want to contribute and be active. They bring a wealth of experience, which is why CVS has been hiring mature workers for years and will continue to do so. In 2015, we employed more than 47,000 mature colleagues. Mature workers represent about 24% of our workforce, up from less than 10% in the late 1990s.

Creating Opportunities for People of All Abilities
CVS Health has partnered with more than 36 disability programs nationwide. The program includes partnerships with Kens Krew, New Visions, Michigan Rehabilitative Services, Michigan Commission for the Blind, Goodwill Industries, Workability 1, California State Department of Rehabilitation, El Valor and others. The programs are located in Detroit, MI, Philadelphia, PA, Washington, DC, Chicago, IL, California and Providence, RI.

We will continue to forge relationships with organizations that seek to transition persons with disabilities in a structured and supportive work environment. It is estimated that 53 million adults in the United States live with a disability. People with disabilities constitute the nation’s largest minority group and the only group that anyone can become a member of at any time.

Supporting Veterans and Their Families
At CVS Health, we believe one of the best ways to honor our military is to offer employment opportunities to former service members. Military candidates bring experiences and skills that align with our culture, including collaboration and leadership. Through our relationships with military-focused organizations and programs, we are helping many military families transition from service to civilian life. We highlight just a few of these below.

• Recruiting for Apprenticeships:
As part of our initiative to double the number of Registered Apprenticeships we will offer, we are hoping to recruit veterans to fill some of these positions. In fact, we are on track to open a first-of-its kind skill development and hiring center near Fort Bragg in 2016.

• Hiring Our Heroes:
CVS Health is supporting nationwide efforts to help veterans and military spouses find employment. Through this program, we have helped connect more than 10,000 veterans and military spouses to rewarding job opportunities across the country.

• The Value of a Veteran:
To support our hiring efforts, we have introduced recruiting, interviewing and military management skills training for our company recruiters and hiring
managers through 21 computer-based training modules focused on hiring transitioning service people.

- **Business and Professional Women (BPW) Foundation:** To help attract more female veterans and spouses to CVS Health, we introduced an online mentoring program. Championed by two of our company’s CRGs (Women’s Success Network and VALOR), as well as the Logistics Diversity Leadership Council, we piloted Joining Forces Mentoring Plus in 2014 and expanded the program in 2015 to encourage more of our military spouses to become mentors.

**Opening the Door to Young People**

In 2015, CVS Health hired approximately 43,000 young colleagues between the ages of 16 and 24. Our youth hiring initiatives are aligned with our continued support of the U.S. Department of Labor and President Obama’s Summer Jobs+ initiative, a call to action for businesses, nonprofits and government to work together to provide pathways to employment for low-income and disconnected youth. We also worked with mayors’ offices in major cities across the country to reduce the youth unemployment rate.

**Collaborating on Diversity**

CVS Health collaborates with hundreds of partners nationwide to better meet the needs of diverse communities across the country. Early in 2016, we formed a new alliance with two leading multicultural nursing organizations, the National Black Nurses Association (NBNA) and the National Association of Hispanic Nurses (NAHN), to develop a more diverse workforce. Ethnic and racial minority groups currently comprise 37% of the U.S. population and are projected to encompass the majority by 2043. At the same time, just 19% of today’s nurses come from minority backgrounds. This alliance will support workplace development programs as well as training and colleague engagement strategies to help us bridge the current diverse nursing shortage, ensuring our workforce reflects the patients and communities we serve, while enhancing access to quality care for culturally diverse, underserved populations.

We also continued to invest in organizations across the country that provide opportunities to multicultural students or work to strengthen diverse communities. These include:

- **Hispanic Heritage Foundation (HHF):** As the health care category sponsor in 2014, we provided educational grants to high school seniors for their academic achievement, leadership and interest in pursuing a career in health care. Additionally, CVS Health executives took part in panels across the country providing insight to young Hispanic leaders about health care careers as part of the Latinos on the Fast Track program. HHF also referred students to our Retail Summer Internship program in 2015.

- **United Negro College Fund (UNCF):** We provided financial support to UNCF initiatives, to help college students at historically black colleges and universities graduate.

- **National Urban League (NUL):** We supported the NUL, a civil rights organization dedicated to economic empowerment, by collaborating on a wide array of programs across the country.

- **The National Association for the Advancement of Colored People (NAACP):** CVS Health was exclusive sponsor of the ACT-SO Medicine and Health category at the NAACP National Convention, which recognized the top high school students who submitted projects to this national competition.
Measuring Diversity Performance
We use a variety of measures to assess our diversity performance. For instance, we participated in the Disability Equality Index, a benchmark survey created by the U.S. Business Leadership Network and the Urban League for People With Disabilities, which provides an objective measure of a company’s disability inclusion policies and programs. In the survey’s inaugural year, CVS Health scored 90 out of 100. Our aim is to improve our score in 2016.

In addition, for the second year in a row, CVS Health scored 100% on the 2015 Corporate Equality Index (CEI). The CEI is a national benchmarking survey and report on corporate policies and practices pertinent to LGBT equality, administered by the Human Rights Campaign Foundation. The perfect score reflects our work to ensure a culture in which every individual feels equally valued, respected and appreciated, as well as the programs and initiatives aligned with our culture. With the 100% score, CVS Health is designated as a Best Place to Work for LGBT Equality.

We also measure our performance by the awards we receive. In 2015, we were honored to receive the Secretary of Defense Employer Support Freedom Award, the highest recognition given by the U.S. Government to employers for their support of employees who serve in the National Guard and Reserve.

In 2015, our company was named one of DiversityInc’s 25 Noteworthy Companies and one of the Top 10 Companies for Veterans. We were also recognized by DiversityInc for Community Service Excellence and given the GI Jobs Military Friendly Employer designation.
CVS Health

Workforce Diversity

Total Employee Count 215,388 as of 12/31/2015*
*does not include Target or Omnicare colleagues

Employment Type

62% Total Full-Time
38% Total Part-Time

Employment Gender

32% Male
68% Female

Employment Age

41% Up to 29
52% 30 to 59
7% 60+

Full-Time + Ethnicity

- 56% White
- 16% Black/African American
- 13% Hispanic/Latino
- 7% Asian
- 7% Other
- 1% Not Specified
Manager Level and Above + Gender
Total Employee Count, Manager Level and Above: 24,421 as of 3/15/2016

53% Male
47% Female
7% Unspecified

Manager Level and Above + Ethnicity
as of 3/15/2016

- 70% White
- 12% Asian
- 7% Black/African American
- 6% Hispanic/Latino
- 3% Other
- <1% Not Specified
Regulatory Compliance and Voluntary Standards Are Met or Exceeded

Stakeholders, including shareholders, are increasingly demanding that companies have sound governance practices in place, operate with integrity and provide transparency on their business practices. Some of the specific areas of interest among stakeholders include board independence and diversity, corporate public policy positions and political activities, and data security and customer privacy issues.
Focus: Transparency Around Corporate Policies and Practices

CVS Health has long-standing policies in place to ensure transparency in our governance practices, including Board-level accountability, open and accessible engagement with our shareholders, and communication and compliance related to our participation in the political process.

Ensuring Board-Level Accountability
CVS Health’s Board has adopted Corporate Governance Guidelines, which are available on our investor relations website. These Guidelines meet the listing standards adopted by the New York Stock Exchange (NYSE), on which our common stock is listed.

Meeting Board Independence Requirements
Under our Corporate Governance Guidelines, a substantial majority of directors must meet the NYSE’s requirements for independence. The Board determines the independence of each director annually and re-evaluates its determinations during the year as needed. In 2016, we have 11 members on our Board, all of whom are independent, except for our President and Chief Executive Officer, Larry Merlo. Only independent Directors serve on our Board’s Audit, Nominating and Corporate Governance, and Management Planning and Development Committees, as well as its newly formed Patient Safety and Clinical Quality Committee.

Sharing Responsibility via Board Committees
The Board considers its role in risk oversight when evaluating the company’s Corporate Governance Guidelines and its leadership structure. The Chairman and the CEO are each focused on the company’s risk management efforts and ensure relevant matters are appropriately brought to the Board and its Committees for their review. The other Board Committees are responsible for oversight of risk management practices for the categories relevant to the functions.

Building Board Diversity
The Nominating and Corporate Governance Committee focuses on the following qualities in identifying and evaluating candidates for Board membership: background, experience and skills; character, reputation and personal integrity; judgment; independence; ethnic diversity; commitment to the company and service on the Board; and any other factors that the Committee may determine to be relevant and appropriate.

While we do not currently have any specific minimum qualifications for candidates or a specific policy regarding diversity, the Committee believes that the Board’s composition, which represents diverse backgrounds and experiences, provides significant benefits to the company. The Board membership in 2016 includes eight men and three women, one of whom is African American.

Engaging with Shareholders
We regularly interact with shareholders on a variety of matters, and recently engaged them to better understand and address their concerns. For example, they told us they wanted our Proxy Statement to be easier to read. This led to a complete makeover of our 2015 Proxy Statement, which received positive feedback from shareholders. Shareholder feedback also prompted a recomposition of our peer group, effective January 1, 2015, to better represent the market in which we compete for talent, as well as other factors. Details of other issues and actions can be found in our 2015 Proxy Statement.

Considering Stockholder Proposals
CVS Health views the stockholder proposal process as an important avenue for stockholders to raise material concerns relating to environmental, social and governance issues. When a stockholder proposal is submitted, we typically engage proactively with the filing parties to better understand and address their concerns. Through this type of engagement, we are often able to resolve the concerns and the proposal will subsequently be withdrawn. In cases where matters are not resolved, we comply with the Securities and Exchange Commission (SEC) rules and reprint properly submitted stockholder proposals and supporting statements, as they were submitted to us, in our annual proxy statement. There was one stockholder proposal in the 2015 CVS Health Proxy Statement, requesting increased transparency on the congruency between the company’s corporate values and its political contributions. Five percent of stockholders entitled to vote at the 2015 Annual Meeting voted in favor of this proposal.

Contacting Board Members
Shareholders and other parties, including our colleagues, can communicate directly with the Board of Directors by sending correspondence to the Board’s attention, care of CVS Health Corporation, One CVS Drive, Woonsocket, RI 02895. The Corporate Secretary of the company reviews and forwards to the Board copies or summaries of correspondence that, in her opinion, deal with the functions of the Board or its Committees or that she otherwise determines requires their attention.
season, the Board of Directors received a stockholder proposal requesting that the company amend its by-laws to provide “proxy access,” which gives stockholders meeting certain qualifications the ability to nominate a candidate for possible election to the Board and have information regarding the candidate included in the company’s proxy statement and on its proxy card. After discussions with the proponent and a number of other stockholders, CVS Health adopted a proxy access by-law in January 2016, and the proponent withdrew its proposal.

Participating in the Political Process
CVS Health is committed to supporting the development of sound public policy in health care, and we participate in the political process to address legislation that has a direct impact on our company and the industry as a whole. Reflecting our purpose to help people on their path to better health, we work with federal and state policymakers to ensure people get the right care, at the right time and in the right setting.

It is CVS Health’s policy that the CEO and the Board are responsible for determining the company’s public policy and political interests in a manner consistent with applicable laws. The Nominating and Corporate Governance Committee reviews and considers the company’s policies and practices, including expenditures regarding political contributions and direct and indirect lobbying. It also reviews and considers the company’s policies and practices regarding other significant public policy issues.

Articulating Our Public Policy Principles
Our Public Policy Principles outline our priorities for participating in the public policy sphere. We are committed to addressing health care costs, quality and access because they are essential factors in helping people on their path to better health.

To advance our policies, we work with federal and state policymakers, others in our industry, the broader business community, and non-profit and civic partners.

Keeping Our Lobbying Activities Focused
Lobbying is highly regulated in the United States, and we comply with applicable federal and state laws, including the Lobbying Disclosure Act and Honest Leadership and Open Government Act that require reporting on lobbying activities and certification of compliance with Congressional gift rules.

Our Government Affairs team represents the company’s point of view in Washington, in state capitals and with regulatory agencies around the country. We focus on legislative and public policy issues that impact the company’s delivery of health care and long-term business interests. We communicate with policymakers and stakeholders on issues that impact our business, health plan clients and customers. In addition to our efforts to advocate for health care access, quality and affordability, we continued our commitment to address prescription drug abuse in 2015, joining President Obama’s ongoing efforts to combat this national epidemic.

For example, we participate in the Alliance to Prevent the Abuse of Medicines, a non-profit partnership of key stakeholders representing every aspect of the prescription drug supply chain, to develop and offer policy solutions aimed at decreasing prescription drug abuse. We are involved in other initiatives related to prescription drug abuse as well, which are described in detail here.

Beginning in 2015, we posted copies of our federal lobby reports on our website to make the information more accessible to our stakeholders.

Transparency Regarding Political Donations
All of the Company’s contributions promote the interests of the Company and are made without regard to the private political preferences of the Company’s officers and directors and in strict compliance with applicable laws. CVS Health is prohibited by federal law from making corporate contributions directly to candidates or political parties in federal elections. We make contributions at the state level as allowed by state laws, and to other organizations as described below, in each case in alignment with our public policy priorities and business interests.

Our Political Activities and Contributions Report discloses all of our political contributions, which may be made, depending on our priorities for the particular year, to candidates for state and federal office, political action committees and entities organized under Section 501(c)(4) or Section 527 of the Internal Revenue Code. Note that CVS Health makes contributions only to those 527 organizations that are campaign committees or political parties that are regulated by the Federal Election Commission or state campaign finance laws, whose transparency rules enable us to understand how our funds are used.

With respect to 501(c)(4) and 527 organizations, we disclose amounts paid to advocacy and/or political purposes for any organization whose CVS Health contribution is $25,000 or greater.

Disclosing CVS Health Colleagues Political Action
As with many corporations, we offer certain eligible colleagues an opportunity to participate in the political process by voluntarily contributing to the CVS Health Employees Political Action Committee (EPAC). Political to federal candidates, certain state candidates, political party committees and political action committees are made by our EPAC.
For the second consecutive year, CVS Health was ranked among first-tier companies in the 2015 CPA-Zicklin Index of Corporate Political Disclosure and Accountability, with a score of 80%.
Consistent with federal law, CVS Health pays the administrative, solicitation and compliance costs of the committee. The activities of the CVS Health EPAC are subject to comprehensive regulation by the federal government and certain state governments, including detailed disclosure requirements.

Under the Lobbying Disclosure Act of 1995, CVS Health submits to Congress semi-annual reports, which also include a listing of CVS Health EPAC’s contributions to federal candidates. We report these contributions in the Political Activities and Contributions report on our website. Included on our website are disclosures of the contributions the CVS Health EPAC also makes at the state level. We also operate employee-funded state Political Action Committees (PACs) in Rhode Island, Massachusetts and New York.

CVS Health has a policy governing political contributions made from corporate and EPAC funds to ensure that all potential political contributions made by or on behalf of CVS Health or a CVS Health EPAC are reviewed and approved internally for compliance with all federal, state and local laws, and that all of the company’s political activities are conducted in accordance with high ethical standards. This policy applies to all colleagues of CVS Health, and each of its subsidiaries and affiliates. CVS Health does not make independent expenditures in federal, state or local elections. CVS Health requires certifications of compliance with this policy, generally through the company’s annual compliance training. Certifications must be submitted following training by all CVS Health representatives and colleagues at the director-level and above who maintain budgetary authority for potential political contributions.

CVS Health participates in various federal and state trade associations or organizations that operate in support of specific industries. Trade associations participate in activities such as education, advertising and lobbying to influence public policy. Many associations offer other services, such as producing conferences, networking or charitable events or offering classes or educational materials. Some associations also make political contributions or operate a PAC.

Details regarding CVS Health’s 2015 membership dues can be found in our annual Trade Association and Coalition Participation Report, along with past reports. These reports include the names of trade and industry associations to which we pay annual total dues of $25,000 or more and the amount of dues paid. The amount of such dues totaled $4.0 million in 2015, of which approximately $1.5 million was used for advocacy and/or political activities.

Focus: Compliance Policies, Practices and Processes

Complying with legal requirements and acting with integrity are important to CVS Health for many reasons. In addition to the fines and penalties associated with violating laws and regulations, non-compliance can significantly impact shareholder value and profitability, as well as corporate reputation. Violating health care laws, including customer and patient privacy, can also result in being excluded from federally funded programs such as Medicare. We are committed to ensuring that we have sound practices, policies, processes and compliance mechanisms in place.

Ensuring Compliance and Integrity

Our commitment extends to everyone within our organization. Our colleagues are expected to uphold our standards in all interactions with customers, plan members, clients, physicians, vendors and all other business relationships. Our Compliance and Integrity Program provides a framework for fostering a culture of compliance throughout the company. The program includes the following components:

- Compliance oversight and governance
- Policies, procedures and standards of conduct
- Due diligence in authority personnel
- Training and education
- Monitoring, auditing and reporting systems
- Effective lines of communication
- Enforcing standards and discipline procedures

Providing Effective Compliance Oversight

Our Chief Compliance Officer (CCO) is responsible for overseeing and implementing our Compliance and Integrity Program. This position reports to the Audit Committee of the Board of Directors and to the company’s CEO. As part of the administration of the program, the CCO chairs the Corporate Compliance Committee, a cross-functional group comprised of company legal and business leaders who provide expertise, coordination and oversight.
Implementing Policies, Procedures and Standards of Conduct
The CVS Health Code of Conduct articulates the company’s expectation of legal and ethical conduct, and provides information on what to do when confronted with a potential compliance issue. The CCO leads the development of and updates to the Code, which takes place at least annually. The Code is reviewed by the Board of Directors.

Conducting Due Diligence in Hiring
CVS Health vets colleagues and contractors based on their role and responsibilities. Prior to employment, we perform background checks, licensure searches and exclusion screenings for all candidates. Candidates who do not pass the screening are denied employment. We also conduct post-hiring monitoring to ensure continued good standing.

Providing Training and Education
We provide compliance training to all new full- and part-time colleagues on a number of issues, with the aim of raising awareness of policies through the presentation of real-life work situations that pose ethical dilemmas or may violate aspects of our Code of Conduct. Training includes our Code of Conduct; fraud, waste and abuse; firewalls; insider trading; Health Insurance Portability and Accountability Act/privacy; corporate integrity agreement, anti-money laundering; and charitable giving practices. Ongoing compliance training requirements are based on employee job function and responsibilities, and existing government mandates. Training is reviewed and approved by the Compliance Office, and training is tracked and completion statistics are shared with executive management.

Implementing Monitoring, Auditing and Reporting Systems
Our Business Compliance Officers work with business segments to communicate new or changing compliance requirements and to identify and create action plans to address potential compliance issues. We also utilize a number of tools to monitor and detect policy violations or improper conduct.

Maintaining Lines of Communication
CVS Health contracts with an independent third party that provides secure, confidential telephone and web-based systems for use by individuals who wish to report a concern or submit an inquiry relating to business conduct. This service is available 24 hours per day, 365 days per year. In addition, the third party offers translation services that allow telephone and web reports to be made in several different languages.

Individuals also have the option of directly communicating a concern to the Compliance Department via email, facsimile or hard copy mail. Employees have the ability to raise a compliance issue and seek guidance directly with the CCO and members of management, human resources and the legal department. CVS Health has a strict non-retaliation policy that protects our colleagues who use these resources in good faith.

Enforcing Standards and Discipline Procedures
The CCO oversees the Ethics Line as well as other alleged violations and the Compliance department is responsible for logging, triaging, following up and tracking reported potential compliance violations to conclusion. This includes directing a thorough investigation and, upon completion, determining whether credible evidence of a violation exists. When it is confirmed that misconduct has occurred, corrective action, which may include remedial action to address the specific issue or help prevent similar issues in the future, discipline and/or additional training is initiated promptly.

As appropriate, certain confirmed violations may be reported to outside agencies or authorities. In addition, the CCO provides the Audit Committee of the Board of Directors with information concerning significant violations or alleged significant violations of the Code of Conduct and applicable policies and procedures.

Managing Information Security
In today’s world of connectivity, cyber space touches nearly every part of our daily lives. Broadband networks and wireless signals link us at work, at home and even while we move between them. Connectivity provides massive opportunity and convenience, but it also demands sophisticated security to ensure that our individual, corporate and government information is protected from increasingly insistent intruders.

At CVS Health, we are committed to protecting the privacy and security of our colleagues, customers and patients. Maintaining the confidentiality, integrity and accountability of CVS Health data is not only a legal responsibility, it is essential to our purpose. The measures we take to protect and secure personal information across the enterprise are implemented through our Information Governance Framework.

Enhancing Our Information Security Program
CVS Health employs industry standard technology safeguards, including network firewalls, intrusion prevention, and malware detection systems to identify and prevent potential cyber attacks. We maintain rigorous policies and procedures for authentication and authorization to systems that restrict access to and define appropriate use of client and plan member data. Through our audit compliance plan, we continuously monitor and assess our systems and networks so appropriate safeguards can be implemented to mitigate the
risk of security violations and intrusions. We also conduct regular assessments against our security and privacy controls, and address any issues that may have been identified during the assessment period in a timely manner.

We were early adopters of the National Institute of Standards and Technology Cybersecurity Framework for improving critical infrastructure cybersecurity. In addition, through our participation in NH-ISAC, the nation’s Healthcare and Public Health Information Sharing and Analysis Center, we continue to be vigilant about advancing physical and cybersecurity national critical infrastructure resilience. In 2015, we upgraded our data loss prevention capabilities and rolled out the first phase of the program early in 2016.

Security awareness is promoted throughout the organization, and our colleagues are required to complete security training annually. Training is also conducted within 30 days after the date of hire for contractors, within 21 days for retail colleagues, and within 12 days for PBM colleagues. In 2015, we launched a new mandatory Information Security Awareness curriculum for all colleagues and Social Engineering Detection training for those colleagues who work in our store operations.

Also in 2015, in accordance with the Payment Card Industry Data Security Standard, we completed an annual external assessment by a qualified security assessor of our policies and safeguards in connection with cardholder data. The assessment found no major security risks or faults for cardholders or our company.

**Ensuring Customer, Patient and Employee Privacy**

Protecting private information and the confidentiality of those we serve are conditions of employment with CVS Health and are described in detail in our Code of Conduct. All of our colleagues receive privacy and security training, the frequency of which depends on a number of factors, including where an employee works within the company and how likely that position is to encounter privacy risks. Generally, this equates to upon hire for new employees, an annual training for corporate employees, semi-annual training for in-store and pharmacy employees, and as-needed retraining for employees following their involvement in a potential incident.

We also maintain a privacy program aimed at improving and enhancing our privacy practices. Internal privacy activities include an investigation and response team that manages the review and response to any potential privacy incident. When potential privacy incidents are discovered, the team uses a protocol that involves an assessment of the incident and, when necessary, tracking and resolving the incident so that we mitigate any privacy risks. When appropriate, we retrain our colleagues or develop a corrective action plan. In addition, we conduct a periodic risk assessment of our privacy practices. For example, we periodically review our retail facilities by using an independent assessor to review a statistically significant sample of stores to ensure implementation of our privacy protections and safeguards.

Our Privacy Commitments, along with our privacy policy, are posted on our website.

**Assessing Third Party Risk**

CVS Health maintains a Third Party Risk Assessment Program, and through it, each vendor who collects, uses, stores, shares, processes, transmits or destroys confidential information on our behalf must undergo initial and recurring assessments to ensure they are operating in accordance with our privacy and information security policies and procedures. In 2015, control of our third-party vendor assessment program transferred to our enterprise security team. As part of this transfer, we reviewed and enhanced vendor-screening protocols. We also stepped up collaboration with the company’s information technology (IT) department and began a program to undertake IT audits of all current vendors. We expect to complete this initiative in 2016.

**Providing Program Oversight**

We operate privacy oversight committees, which meet periodically to make recommendations aimed at enhancing our practices. We also engage senior leaders in decision-making processes related to new digital interfaces and analytical technologies to help ensure appropriate protections and safeguards are taken into consideration when we implement these tools.
Supply Chain Responsibility

Doing business with a broad range of suppliers spreads economic opportunities, from diverse suppliers in the United States to vendors around the world. We are committed to helping mitigate potentially negative impacts by ensuring that our suppliers comply with applicable laws and operate in accordance with our ethics and compliance policies.

Much like our internal Code of Conduct, the expectations we have for our suppliers are communicated through our Supplier Ethics Policy and are further enhanced through our Global Supplier Audit Program, which plays an important role in preventing, detecting and resolving instances of potential unethical behavior and noncompliance. We describe these and the related initiatives that we have in place in the section that follows.
Increasingly, customers want assurance that the products they purchase are made using ethically and sustainably sourced ingredients and are manufactured in workplaces that respect human rights and ensure worker safety.

### Ensuring Human Rights Considerations
Respect for human rights is expressed in our Supplier Ethics Policy, which all new and existing vendors must adhere to as a condition of doing business with the company. This includes suppliers producing direct import and CVS Brand items manufactured in other countries but sourced domestically.

The social criteria in our Supplier Ethics Policy is aligned with the International Labour Organization’s (ILO) Declaration on Fundamental Principles and Rights at Work, the United Nations Universal Declaration of Human Rights and the United Nations Guiding Principles on Business & Human Rights. These include commitments to prohibit human trafficking and child, forced or imprisoned labor; require that working conditions are safe and fair; forbid any form of discrimination with regard to age, gender, minority status and/or other protected classes; and uphold the right to freedom of organization, among other essential human rights. We monitor compliance with our Supplier Ethics Policy through risk-based audits conducted by external third parties. For more information about audits, please see the Global Supplier Audit Programs section.

The same international principles that are applied to our Supplier Ethics Policy are also upheld in our workplace policies and practices, and in the CVS Health Code of Conduct. We believe every employee is entitled to a safe and healthy work environment that is free from discrimination and harassment, threats or acts of violence or intimidation and where all employees have an equal opportunity to grow and develop their careers and be appropriately compensated for their contributions to the company’s success.

In 2015, we engaged Business for Social Responsibility (BSR) to help us undergo a human rights impact assessment and develop a formal human rights policy which will encompass both our workplace and supply chain. The policy will leverage the United Nations Guiding Principles on Business and Human Rights and will include our current enterprise policies related to human resources and supply chain responsibility. We will finalize the enterprise-wide policy in 2016 and plan to communicate it internally and externally with key stakeholders, including sharing it on our website and in our CSR report.

### Supplier Ethics Policy
CVS Health requires all suppliers to conduct business in accordance with our Suppliers Ethics Policy and other applicable legal and ethical standards. We seek suppliers that share our values as well as our promise to deliver outstanding service. CVS Health suppliers are required to adhere to our company’s ethical standards, supplier requirements, and business processes, which are published on our supplier website and communicated in our CVS Health Supplier Ethics Policy.

CVS Health also requires full compliance with all applicable anti-corruption laws, including the U.S. Foreign Corrupt Practices Act. Vendors and suppliers may not, directly or indirectly, offer, pay, promise or authorize the payment of any money or thing of value to any government official, including any employee or agent of a government-owned or government-controlled business, for the purpose of influencing any act or decision of such government official, in his/her official capacity; inducing such government official to do or omit doing any act in violation of the lawful duty of such official; securing any improper advantage; or inducing such government official to use his/her influence in order to assist in obtaining or retaining business.

Our internal Code of Conduct also addresses the company’s standard of ethics when interacting with suppliers. Colleagues with direct responsibility for import supply chain management have been trained on mitigating risks within the supply chain of products, including risks associated with human trafficking and slavery.

100% of our factories underwent a human rights screening via the CVS Health Factory Social Audit Program.
Global Supplier Audit Program

We monitor compliance with the Supplier Ethics Policy through risk-based audits conducted by our partner, UL, and other external third parties. The CVS Health Factory Social Audit Program helps us assess our performance and allows us to compare the results against industry standards. This ensures that our direct import suppliers and other store brand suppliers are in compliance with social, legal and trade security standards in accordance with local laws in which they operate.

Our factory audit program focuses on auditing new and existing foreign factories that manufacture both direct import and CVS Brand items. In 2015, we began to assess certain subcontractors based on their risk profile. This follows the implementation of our policy in late 2013 requiring factories to disclose to us a list of their subcontractors. CVS Health partners with UL to audit supplier factories of direct import goods against UL’s Responsible Sourcing Workplace Assessment (RSWA). The RSWA is aligned with the Global Social Compliance Program and ILO convention recommendations.

The factory audit is based on the following assessment criteria:

- Labor, including abuse, coercion, harassment, child labor and young workers, and forced labor
- Health & Safety, including risk assessment and management, education, and accidents
- Management Systems, including compliance, education and grievance mechanism
- Environment, including risk assessment and management, general and hazardous waste, air emissions and noise pollution
- Ethics & Business Integrity, including bribery attempt and facilitation

In 2015, 100% of the factories producing CVS Brand and direct import products in countries outside...
<table>
<thead>
<tr>
<th>2014 Zero-Tolerance Issues/Low Scoring Factories</th>
<th>Number of Factories found to have a Zero-Tolerance Issue</th>
<th>Action Taken</th>
<th>Follow-up/Remediation Process</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forced/Prison Labor</td>
<td>3 Passport Retention Incidents</td>
<td>Corrective Action was taken with supplier and factory.</td>
<td>Immediate corrective action was taken and a validation audit was performed to ensure corrective action was implemented.</td>
</tr>
<tr>
<td>Falsified Documents</td>
<td>1</td>
<td>Orders were canceled. Facility was placed on probation.</td>
<td>Production for approved orders was moved to an approved facility.</td>
</tr>
<tr>
<td>Abuse &amp; Harassment</td>
<td>0</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Life-Threatening Conditions – Locked/Blocked Exits</td>
<td>52 Total: 15 Locked 32 Blocked 5 Locked and Blocked</td>
<td>Orders for 52 factories with locked/blocked exits were placed on hold until corrective action was taken. Orders for eight factory were canceled.</td>
<td>For locked and blocked exits, immediate corrective action was taken and proof of correction was submitted through a corrective action plan for approval. For locked exits, either corrective action was taken or the orders were moved to approved factories. 8 orders were canceled.</td>
</tr>
<tr>
<td>Attempted Bribery (Factory management bribing the auditor to receive a passing score on the audit)</td>
<td>5</td>
<td>Orders for all 5 factories were canceled and all 5 factories were placed on a one-year probation. All factories must pass a social audit prior to receiving new orders.</td>
<td>Production for approved orders was moved to approved facility.</td>
</tr>
<tr>
<td>Child Labor</td>
<td>3</td>
<td>Orders were canceled. Facility was placed on probation.</td>
<td>Production for approved orders was moved to an approved facility.</td>
</tr>
</tbody>
</table>

of the United States and Canada, including all new supplier factories, underwent a human rights screening via the CVS Health Factory Social Audit Program.

A primary focus is engaging lower-performing suppliers and factories. Our goal is to work with them directly in order to remediate their factory performance on social compliance, rather than to exclude them immediately from our supply chain.

We also conducted our annual supplier and factory training on social compliance and new subcontracting requirements in May 2015. In addition, we introduced additional supplier and factory training via online learning tools. In lieu of UL’s Responsible Sourcing Workplace Assessment (RSWA) audits, CVS Health accepts other globally recognized third-party social audit reports, including:

- ICTI: International Council of Toy Industries
- WRAP: Worldwide Responsible Accredited Production
- BSCI: Business Social Compliance Initiative
- SA8000: Social Accountability International (SAI)

CVS Health also utilizes UL’s Facility Security Tool (FaST) to maintain our Customs-Trade Partnership Against
Terrorism (C-TPAT) certification status with the U.S. Customs and Border Protection. In 2015, we performed these audits on 100% of foreign factories that produce direct import products located outside of China, and significantly increased the number of foreign factories audited within China, to 93%.

CVS Health takes its Global Supplier Audit Program very seriously, including setting policies around zero-tolerance and non-passing audits. In 2015, we enhanced our auditing compliance standards, strengthening our purview of health and safety, including more rigorous fire safety and protection. We also expanded our classification of zero-tolerance incidences to include blocked pathways as a safety risk. These two enhancements resulted in an increase in zero-tolerance occurrences from 2014 by more than 49%.

If a factory does have a zero-tolerance failure, such as child labor, forced or prison labor, abuse, harassment or attempted bribery, the company will take appropriate action up to and including canceling all orders and placing the factory on probation for one year. In 2015, we performed initial and follow-up assessments on a total of 776 factories and discovered 64 zero-tolerance incidents. The details of the zero-tolerance incidences are listed in the table on page 103.

Focus: Supplier Diversity

Across America, diverse- and women-owned enterprises are fast-growing segments of the U.S. economy. By tapping into this expanding supplier pool, we are able to build supply chain excellence, add distinctive goods and services to our business offerings, enhance our brand among customers, and create a competitive advantage. This is especially true as we broaden our reach through acquisitions in new markets and in our service offerings. By including diverse suppliers and diverse-owned pharmacies, we are also creating jobs and economic opportunities for local businesses in the communities we serve.

Supplier Diversity Program

Our Supplier Diversity Program is designed to ensure all types of businesses are given the opportunity to build long-term relationships with CVS Health. The program consists of two tiers: Tier I focuses on monitoring our purchases to ensure we have diverse suppliers providing quality goods and services. Tier II monitors the diversity of the suppliers employed by our large-valued Tier 1 suppliers. Our program also supports small business enterprises. Our total spend with diverse suppliers and small businesses on both Tier I and Tier II for 2015 was approximately $2 billion. When we started 2015, our intent was to move closer to our goal of a $1 billion spend on diverse Tier I suppliers by 2017, or 10% of our total sourceable procurement spend. We got closer to both goals in 2015. Our spend for Tier 1 suppliers was more than $913 million, which represents 91% of our 2017 target and just over 8% of our total sourceable procurement spend.

The strength of our program starts with a strong commitment at the top...
Recognizing Distinguished Diverse Suppliers

Each year, CVS Health’s Office of Supplier Diversity recognizes the contributions of some of its most distinguished diverse suppliers, business partners and leaders. 2015 winners of our Ruby Awards in the supplier and business partner categories include:

- Diamond Contractors, Inc.
- Planned Packaging of Illinois Corporation
- Solo Printing
- The Rising Tide Group
- WEI

We continue to strengthen our supplier diversity relationships through our participation in:

- National Minority Supplier Diversity Council (NMSDC)
  - NMSDC Health Care Industry Group
  - NMSDC Retail Industry Group
- Women’s Business Enterprise National Council
- Disabled Veterans Business Alliance
- National Gay and Lesbian Chamber of Commerce
- U.S. Pan Asian American Chamber of Commerce
- U.S. Business Leadership Network (USBLN)
  (Disability at Work)
- USBLN Procurement Council

Encouraging Supplier Diversity within Our Organization

In 2015, we broadened the internal reach, visibility and transparency of our supplier diversity program. Our aim was to capture the diverse suppliers we were already doing business with and look for opportunities to attract new diverse suppliers through our procurement process. We did targeted outreach to our merchandising team and appointed supplier diversity champions within our logistics, treasury, legal and print business units. As a result, we identified 33 suppliers who were diverse but not certified.

Our Supplier Diversity office has been supporting these diverse businesses through the certification process. Our Supplier Diversity team also hosted its first enterprise-wide, business-building event in New England with the aim of increasing jobs and positively impacting the local economy.
community. The day-long event was attended by 164 diverse suppliers, 31 CVS Health colleagues and 19 advocacy group representatives, and offered workshops and an opportunity for one-on-one supplier meetings with CVS Health decision-makers. Of the suppliers we met with, 76% scored medium to high on the probability of doing business with CVS Health.

Partnering with Outside Organizations
We are continually expanding our diverse supplier networks through participation in an array of national diversity organizations and by hosting and attending local and national events.

In 2015, we participated in a number of Supplier Diversity Development Council-sponsored events, including:

- Women's Business Enterprises National Council, in Austin, TX
- National Minority Supplier Development Council, in San Diego, CA
- National Gay Lesbian Chamber of Commerce, in Fort Lauderdale, FL
- US Pan Asian American Chamber of Commerce, in Baltimore, MD
- Greater New England Minority Supplier Development Council and Center for Women & Enterprise, in New England

We also held two construction business building events in Baltimore, MD, in support of new store builds and remodels, and in Florida, in support of the expansion of CVS Pharmacy y más and our Navarro retail stores.

Building Capacity of Diverse Suppliers
In 2015, CVS Health launched its Executive Learning Series for Diverse Suppliers, designed to build the leadership skills diverse suppliers need to secure contracts with large businesses. Sponsored by CVS Health and created in partnership with Rhode Island's Roger Williams University, the professional development program offered 160 hours of training over an 18-week period to leaders of 10 diverse businesses from across the country who applied and were selected to participate. The program helped participants broaden their skills in a variety of areas, including management, technology, finance and human resources. It was developed following the successful 2014 collaboration between CVS Health, Roger Williams University and National Grid.

Diverse Retail Pharmacy Program
Diversity is also an important component of the pharmacy partners we work with on behalf of our PBM business. Our Diverse Retail Pharmacy Program encourages diverse-owned retail pharmacies, many of which are independently owned, to become certified with CVS Health. The certification allows them to expand and establish potential business opportunities with our company, as well as become qualified for targeted government programs. In order to encourage growth and participation, CVS Health provides guidance and assistance to potential partners about the certification process.

At the end of 2015, we had more than 100 retail pharmacy partners in the program and had spent more than $300 million with them during this year.

Achieving Recognition for Supplier Diversity
In 2015, CVS Health, again, was honored to be named again as one of America’s Top Corporations for Women Business Enterprises from the Women’s Business Enterprise National Council (WBENC). We were also named Corporation of the Year by the Florida Minority Supplier Diversity Council and by the Center for Women and Enterprise in New England. We were also recognized as Top Supplier Diversity Program by Black EOE Journal, one of America’s Most Admired Corporations for Supplier Diversity by Minority Network USA Magazine, among the “Best of the Best” by Professional Woman’s Magazine and in the Top 100 Corporations “Best of the Decade” by Women’s Enterprise USA magazine.
Attracting Local Suppliers

Diverse suppliers can register through our online portal, which allows us to consider diverse suppliers in all not-for-resale sourcing and procurement opportunities. In 2015, more than 700 certified diverse suppliers registered through the online portal. In addition, we awarded contracts and are currently doing business with more than 2,000 diverse suppliers including small businesses across all our business units.

In 2015 $913M was our spend for Tier 1 suppliers which represents 8%+ of our total sourceable procurement spend.

Diverse suppliers are defined as:

minority-owned, women-owned, veteran- or disabled veteran-owned, disability-owned, disadvantaged-owned, LGBT-owned, HU-Zone-owned, 8(a)-owned business enterprise or a small business enterprise. We also recognize certifying organizations such as the National Minority Supplier Development Council, Women’s Business Enterprise National Council, National Gay and Lesbian Chamber of Commerce, U.S. Hispanic Chamber of Commerce, U.S. Pan Asian American Chamber of Commerce, U.S. Business Leadership Network, Small Business Association, and recognized government agencies.
About This Report

CVS Health’s 2015 CSR Report provides an overview of our company’s social and environmental commitments and progress with our CSR-related initiatives and goals.

Boundary and Scope
Consistent with previous reports, the boundaries for this report extend to all U.S. company owned and/or operated facilities, administrative offices, and retail pharmacies for the corporate enterprise including; CVS Pharmacy, CVS MinuteClinic, CVS Caremark and CVS Specialty, as well as Coram and Navarro Discount Pharmacy. During 2015, we acquired Omnicare, the leading U.S. provider of pharmacy services to long-term care facilities, and Target’s pharmacy and retail clinic businesses. These newly acquired entities are not included in the boundaries of this report unless otherwise noted, such as in the company profile and CSR strategy sections. Company operations outside the United States represent less than 1% of the total enterprise and are not covered in this report.

Data contained in this report covers activities that occurred in fiscal year 2015 (January 1-December 31, 2015), unless otherwise noted. There may also be certain events or activities referenced in this report that were initiated in 2015, but came to fruition in 2016. Our process focused exclusively on CVS Health’s operations, communities and stakeholders in the United States. There have been no significant restatements of data provided in previous reports.

Our 2015 CSR Report is our ninth annual publication of this type; our last report was published in May 2015. We plan to continue reporting on an annual basis.

Content and CSR Materiality
In 2013, we conducted a comprehensive materiality assessment and followed up in 2015 with a more streamlined process to determine whether the issues have changed. We discovered no significant changes in our material issues or material aspects. The findings of the assessment inform our report content and more importantly our CSR strategy

Prescription for a Better World.
For additional detail on our process, please see CSR Material Issues.

Our report was submitted to the GRI Materiality Disclosures Service, verifying that at the time of publication General Standard Disclosures G4-17 to G4-27 were correctly located in both the GRI G4 Content Index and the text of the final report.

Disclosure and Assurance
CVS Health management is responsible for the preparation and integrity of the information in this report. The enterprise metrics and goals in this report are established through a rigorous review process involving internal subject matter experts. We believe this report accurately and fairly represents our CSR activities, programs and results for the fiscal year ending December 31, 2015. The report was submitted to the Nominating and Corporate Governance Committee of the Board.
of Directors for review and was reviewed and approved by members of CVS Health senior management, including our internal Disclosure Committee, which is comprised of management from each functional area within the company. This serves as a separate review of our disclosure controls and procedures. This report has not been externally assured or verified by an independent third-party, except for our carbon footprint data, which is assured by an independent third party. The company may consider having additional content and data in its future CSR Reports externally assured.

This report was produced based on the Global Reporting Initiative (GRI) G4 Sustainability Report Guidelines ‘in accordance’ option core. The GRI G4 Content Index can be found here. More information on GRI is available at www.globalreporting.org.

Your Feedback
This report is an important tool for communicating our CSR performance and progress. Your feedback is important to us as we continue to look for ways to improve our reporting and provide you with the information you need. Please submit your feedback to CSR@CVSHealth.com.

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401-765-1500, CSR@CVSHealth.com

Preparation of this Report
This report contains certain forward-looking statements that are subject to risks and uncertainties. Actual results may differ materially from those contemplated by the forward-looking information for a number of reasons as described in our Securities and Exchange Commission (SEC) filings, including those set forth in the risk factors section and under the section entitled “Cautionary Statement Concerning Forward-Looking Statements” in our most recently filed Annual Report on Form 10-K and Quarterly Report on Form 10-Q. We refer readers of this Report to all of our SEC filings, including our Annual Report to Stockholders, our Form 10-K, Forms 10-Q and any Forms 8-K, which provide important information about our business, operations and financial performance. Before making any investment or other decision relating to the company, all such public filings should be considered in detail.

References in this document to CVS Health products, programs or service do not imply that CVS Health intends to provide all products, programs or services across all of its businesses. Statements regarding CVS Health’s future direction and intent are subject to change or withdrawal without notice and represent goals and objectives only.
Health is everything.