

CVS Health: The Board's Role in Our Opioid Action Plan

CVS Health Corporation, together with its subsidiaries (collectively, "CVS Health," the "Company," "we," "our" or "us"), is the nation's premier health innovation company helping people on their path to better health. Whether in one of its pharmacies or through its health services and plans, CVS Health is pioneering a bold new approach to total health by making quality care more affordable, accessible, simple and seamless. CVS Health is community-based and locally focused, engaging consumers with the care they need when and where they need it. The Company has approximately 9,900 retail locations, approximately 1,100 walk-in medical clinics, a leading pharmacy benefits manager with more than 102 million plan members, a dedicated senior pharmacy care business serving more than one million patients per year and expanding specialty pharmacy services. CVS Health also serves an estimated 38 million people through traditional, voluntary and consumer-directed health insurance products and related services, including rapidly expanding Medicare Advantage offerings and a leading standalone Medicare Part D prescription drug plan. The Company believes its innovative health care model increases access to quality care, delivers better health outcomes and lowers overall health care costs.

Virtually no part of the country has remained unaffected by prescription opioid misuse and abuse. Our expansive reach, expertise and presence in communities position us to be part of the fight to address this issue.

Reducing prescription opioid misuse and abuse will require involvement from stakeholders across the health care system and support from federal, state and local governments, law enforcement and regulatory agencies and, most importantly, the members of the affected communities.

CVS Health has made a commitment to help address the abuse and misuse of prescription opioids by designing programs and collaborating with community leaders, policymakers, law enforcement, health care professionals and others to increase community-based educational programs related to opioid misuse and abuse, create safe prescription drug disposal sites, expand access to life-saving antidotes and advocate for targeted and effective policies, locally and nationally. Our commitment to these efforts involves all of our employees, our senior management and our Board of Directors. Our Board has made our commitment to help address prescription opioid abuse an important priority of CVS Health. Our Board is actively engaged in our efforts through its oversight and review of the programs we are implementing to respond to prescription opioid abuse and working with our executive team as it develops new strategies to address it.

The Role of Our Board of Directors

Our Board is committed to ensuring that we are developing solutions to prescription opioid abuse through expanded education, safe prescription drug disposal, utilization management, funding for treatment and recovery programs and advocating for legislative and regulatory changes. Within the Board, the Audit Committee, the Medical Affairs Committee, the Nominating and Corporate Governance Committee and the Management Planning and Development Committee each play a significant role in the Board's oversight efforts.

Audit Committee

Our Audit Committee oversees our compliance program, which includes matters related to our anti-diversion program, suspicious order monitoring and other controls related to prescription opioid misuse and abuse. The Audit Committee also reviews matters related to compliance with federal health care program requirements and compliance with our Corporate Integrity Agreements, or CIAs. In 2019, the Committee provided the required annual certification of compliance with our 2014 CIA related to our pharmacy benefit management (PBM) operations, which has now reached the end of its five-year term, and our 2016 CIA related to our institutional pharmacy services (long-term care, or LTC) operations.

The General Counsel and other Legal Department members also provide regular reports to the Audit Committee about litigation and investigations, which include significant government investigations, regulatory and compliance matters relating to prescription opioid misuse and abuse. The General Counsel has updated the Audit Committee and the Board on the Multi-District Litigation pending in the U.S. District Court for the Northern District of Ohio and other opioid-related matters. The Chief Compliance Officer (CCO), the General Counsel and other members of senior management participate in these reports to the Audit Committee and the Board, as appropriate.

In addition, the Audit Committee is charged with the primary role in carrying out risk oversight responsibilities on behalf of the Board. Pursuant to its charter, the Audit Committee annually reviews our policies and practices with respect to risk assessment and risk management, including discussing with management our major risk exposures and the steps that have been taken to monitor and mitigate such exposures. The Audit Committee also reviews CVS Health's major financial risk exposures as well as major operational, compliance, reputational and strategic risks, including developing steps to monitor, manage and mitigate those risks. We have identified prescription opioid abuse and misuse as one such risk and therefore the Audit Committee is briefed on the action plans associated with this risk.

Medical Affairs Committee

The Medical Affairs Committee oversees our medical- and pharmacy-related strategies and initiatives, which include, among other things, our programs related to combatting prescription opioid abuse. The Committee focuses on advancing accessible, cost-effective and quality health care, patient safety and patient experience and member health, including matters related to prescription opioid safety. The Chief Medical Officer regularly reports to the Medical Affairs Committee regarding our responses and efforts concerning prescription opioids. In terms of our ongoing efforts to combat prescription opioid misuse and abuse, the Medical Affairs Committee has received reports from management, including on safe disposal, proper dispensing practices and our counselling efforts, expanded access to overdose reversal drugs, support of recovery programs and efforts to prevent theft and diversion.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee is responsible for oversight of our corporate governance matters, including review and consideration of our public policy and government affairs practices, and our policies and practices on issues relating to Corporate Social Responsibility (CSR) and other significant public policy issues. The Committee also reviews our annual CSR Report, refreshed for 2018 as *Better Health, Better Community, Better World*, prior to its publication in April 2019. This report provides updates on our three key pillars of our CSR framework: Building Healthier Communities, Leading and Inspiring Growth and Protecting Our Planet, and addresses our efforts and strategies on addressing widespread prescription opioid misuse and abuse. It is available on our website at <https://cvshealth.com/social-responsibility>. With respect to our ongoing efforts to combat prescription opioid misuse and abuse, the Committee received reports from management, including on our community programs, such as expanded access to disposal units, our Guardian Angel program, and our Pharmacists Teach program.

Management Planning and Development Committee

The Management Planning and Development (MP&D) Committee oversees our compensation and benefits policies and programs, including the performance of designated senior executives and our Chief Executive Officer (CEO). As part of its review, the MP&D Committee performs a comprehensive assessment of all major components of our compensation programs, including our recoupment policy. Since 2009, we have maintained a recoupment policy that applies to all annual and long-term incentive awards granted to executive officers. The policy applies in cases where financial or operational results used to determine an award amount are meaningfully altered based on fraud or material financial misconduct. In March 2019, we amended our recoupment policy to further increase transparency. The amendment requires us to publicly disclose the circumstances of any recoupment from any executive officer to the extent the underlying event has already been publicly disclosed, and the disclosure would not violate applicable law, violate legal privilege, breach contractual obligations or be likely to result in or exacerbate litigation, investigation or proceedings against us.

The MP&D Committee establishes metrics for the Company's executive compensation programs on an annual basis. Performance measures are carefully selected taking into account feedback from our stockholder engagement efforts. The MP&D Committee may make adjustments from the most comparable GAAP measures to exclude the impact of certain items in the calculation of these performance metrics where these items are not reflective of the Company's performance. When this occurs, the Company will provide a reconciliation in its proxy statement of the performance measure to the most comparable GAAP financial measure, to assist stockholders in the review of the compensation program. In addition, on an annual basis the MP&D Committee approves individual performance goals, and each senior executive's individual performance is evaluated against his or her goals. Annual goals are tailored to support corporate initiatives including those related to opioid risk management and compliance. Accordingly, the metrics could vary from year to year.

The MP&D Committee is responsible for reviewing and assessing potential risk arising from our compensation policies and practices. In 2019, the MP&D Committee reviewed the Company's comprehensive risk assessment of our compensation policies and practices to ascertain any potential material risks that may be created by the programs. Included in the assessment were all major components of our compensation programs: the mix between annual and long-term compensation; short-term incentive program design; long-term incentive program performance measures; incentive plan performance criteria and corresponding objectives; a comparison of our programs with those of our peer group; our severance and change-in-control policies; our recoupment policy; our stock retention requirements and ownership guidelines; and the Internal Audit Department's review of the controls regarding our long-term incentive program. The MP&D Committee considered the findings of the assessment and concluded that our compensation programs are aligned with the interests of stockholders, appropriately reward pay for performance, and do not promote excessive risk-taking.

Good Corporate Governance

More broadly, the Board is focused on maintaining and promoting good corporate governance practices. We provide our stockholders with the following rights:

- Right to act by written consent and to call special meetings
- Majority voting in director elections
- Proxy access by-law
- Annual election of all directors
- Annual "say-on-pay" vote

For more information about the role of the Board and our Committees and our corporate governance developments, please see our 2019 Proxy Statement on our website at: https://s2.g4cdn.com/447711729/files/doc_financials/proxy/proxy-statement-2019.PDF, as well as CVS Health's Certificate of Incorporation, By-Laws and Board Committee Charters found on the Governance Documents page of our website at: <https://investors.cvshealth.com/investors/corporate-governance/documents/default.aspx>.

Our Ongoing Efforts

Many of the programs and strategies we are implementing to respond to prescription opioid misuse and abuse described in the section below were developed in association with discussions among our Board, Board Committees, and management, including our cross-functional, enterprise-wide Corporate Compliance Committee.

- **Providing safe prescription drug disposal options in more communities**
We have installed safe disposal units in more than 1,700 CVS Pharmacy locations nationwide and donated nearly 1,000 additional disposal units to police departments to further expand drug disposal access in the community. Together, these disposal units have collected more than 1,000,000 pounds of unwanted medication. We also are committed to placing 900 additional disposal units in our stores by the end of 2019.
- **Creating new youth and parent education programs**
Through our Pharmacists Teach program, CVS pharmacists have gone into the community and have educated more than 500,000 students and parents about the dangers of prescription opioid misuse and abuse. We plan to continue and expand the reach of this program.
- **Encouraging proper opioid use through counseling provided locally**
We provide comprehensive in-store counseling programs for CVS Pharmacy patients who are using prescription opioids for the first time. This counseling is designed to educate patients on proper use, secure storage in the home, and the importance of safe disposal of left-over medication.
- **Expanding access to critical opioid overdose reversal drug**
We have established an industry-leading program to increase access to naloxone, the opioid overdose reversal drug. CVS pharmacists nationwide are now able to provide naloxone to patients who do not have a prescription (pursuant to local laws and regulations). Additionally, following the Surgeon General's Advisory on Naloxone and Opioid Overdose in April 2018, all CVS Pharmacy locations now have in-store signage and in-store radio messages to educate patients about the availability and accessibility of this life-saving drug.
- **Encouraging proper use of prescription opioids through prescription plan design**
CVS Caremark, our PBM business, has implemented utilization criteria to help members manage prescription opioid use. Complementing utilization management, our efforts to help prevent prescription opioid abuse and misuse extend to the pharmacy counter. Our pharmacists evaluate opioid prescriptions before they are dispensed, and we retrospectively monitor for outlier prescribing or dispensing patterns, including those potentially indicative of fraud or abuse.
- **Supporting recovery programs**
We have enhanced our support for addiction recovery programs, providing grants from 2017 through 2019 to 32 community health centers across the United States that deliver medication-assisted treatment and other addiction recovery services.

- **Expanding community outreach**
We have expanded Aetna’s 2018 pilot program, “Guardian Angel,” which provides support from a clinician who specializes in substance abuse disorders and can provide education on treatment options available to Aetna members who recently experienced an opioid overdose.
- **Preventing theft of medication**
We have implemented a program to install time-delay safes as a way to address pharmacy robberies. Our initial pilot program in CVS Pharmacy locations in Indianapolis showed that the safes, when well-publicized, did deter such robberies. At this time, we have installed over 4,200 time-delay safes in 12 states and the District of Columbia. In a recent review of pharmacy robbery activity, we have experienced 46 percent fewer robberies in 2019 than in 2018, which we believe is largely due to time-delay safes.

Long-Term Strategy on Preventing Opioid Misuse and Abuse

We utilize an enterprise-wide approach to help address prescription misuse and abuse. We continue to expand our efforts through a variety of programs and initiatives, including education, safe prescription drug disposal, advocacy and collaboration with partners. We aim to provide appropriate access to opioid medications for patients with legitimate prescriptions while taking steps to prevent diversion and abuse.

Please see more details about our various CSR programs on our website: <https://cvshealth.com/social-responsibility/corporate-social-responsibility-csr>. You can also find more information specifically about our Opioid Action Plan on our website at: <https://cvshealth.com/social-responsibility/our-opioid-response>.

Implementing and Advocating for Effective Policies

We act as a distributor only with respect to Schedule III-V controlled substances shipped to CVS Health-owned pharmacies. We do not distribute Schedule II opioids such as oxycodone, hydrocodone, or fentanyl products, nor do we distribute controlled substances to pharmacies that we do not own. With respect to those controlled substances that we distribute, orders are subject to a suspicious order monitoring system that utilizes both algorithmic analysis as well as a dedicated team of reviewers who conduct due diligence on flagged orders. Orders determined to be suspicious are reported to the U.S. Drug Enforcement Administration (DEA) and are not shipped. Our current suspicious order monitoring system has been in place since 2014 and is updated from time to time to ensure compliance with current DEA regulations.

In addition to suspicious order monitoring, CVS Health maintains numerous anti-diversion and compliance programs, including:

- Policies and procedures requiring that pharmacy personnel comply with all state and federal laws concerning controlled substances.
- Training of pharmacy personnel with respect to controlled substances multiple times each year.
- Regular store visits and review by field leaders on matters related to compliance with controlled substance laws.
- Programmatic use of data analytics to monitor prescribers for outlier prescribing patterns indicative of potential diversion; we have suspended hundreds of prescribers from having controlled substance prescriptions filled at CVS Pharmacy locations.
- Programmatic use of data analytics to monitor for potential indicators of prescription forgery activity; we have a program in place to identify and report forged prescriptions to law enforcement.

- Use of overt camera systems to assist in deterring/investigating diversion; CVS pharmacy areas in twenty states now have “virtual” 100% camera coverage.
- Programmatic use of data analytics to help ensure optimal store dispensing practices.
- Programmatic monitoring of store inventory levels to identify potential theft; a team of approximately 200 Asset Protection investigators conduct investigations of potential diversion.
- Routine pharmacy audits with respect to compliance with controlled substance laws; compliance is considered in evaluating pharmacy staff performance.
- Frequent cooperation with state Board of Pharmacy and DEA inspections at our pharmacies.
- Excluding controlled substances from performance metrics and compensation programs.

While we have developed and implemented numerous programs and initiatives to help combat prescription opioid misuse and abuse, we believe a significant component of our strategy is advocating for more effective policies designed to more directly combat prescription opioid misuse and abuse.

We have actively supported the following legislative and regulatory efforts:

- **Reducing opportunities for fraudulent prescriptions**
We support legislation that requires e-prescribing for controlled substances to reduce the risk of fraudulent prescriptions. Seven states already have adopted e-prescribing requirements, and our advocacy efforts involve encouraging mandatory e-prescribing nationwide. We joined several private-sector and nonprofit organizations in support of the passage of the *Patients and Communities Act* (H.R. 6) by the U.S. House of Representatives in October 2018, which requires e-prescribing for controlled substances in Medicare, a significant step in the fight against prescription opioid misuse and abuse.
- **Limiting opioid quantities**
We also support the efforts in a number of states to institute seven-day limits on the quantity of opioid prescriptions dispensed to patients who are receiving opioid prescriptions for the first time. Limiting the quantity of opioids dispensed by prescription also helps ensure the prescription fits the medical condition and encourages more frequent check-ins with prescribers and local pharmacists.
- **Promoting information sharing across state lines**
We also support proposals for strong, integrated Prescription Drug Monitoring Programs (PDMPs), that when used effectively, can help prescribers and pharmacists identify potential indicators of diversion, even across state lines.

Purpose of Our Compliance and Integrity Program

The current health care environment is extremely complex and is characterized by a growing number of regulatory enforcement and compliance activities. There are a myriad of federal, state, and local rules and regulations that are complex in both application and interpretation. The primary purpose of our Compliance and Integrity Program is to ensure that our colleagues understand our legal and ethical obligations and to prevent, detect, and resolve violations of laws, regulations, and company policies.

Ensuring Compliance and Integrity

Complying with legal requirements, applicable federal and state laws, and acting with integrity are important to us for many reasons. In addition to the fines and penalties associated with violating laws and regulations, non-compliance can significantly impact stockholder value and profitability, as well as corporate reputation. Violating health care laws, including customer and patient privacy laws and regulations, 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.

Our commitment extends to everyone within our organization. Our colleagues are expected to uphold our ethical 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 our organization that begins with our enterprise-wide Code of Conduct. The program includes the following components:

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

Providing Effective Compliance Oversight

Our Chief Compliance Officer (CCO) is responsible for implementing and overseeing our Compliance and Integrity Program. The CCO reports to the Audit Committee of our Board of Directors and to our CEO and is independent of all business units including the legal and finance functions. As part of the administration of the program, the CCO chairs the Corporate Compliance Committee, a cross-functional group comprised of our legal and business leaders from throughout the enterprise who provide expertise, coordination and oversight.

Our Compliance and Integrity Program is comprised of three main functional areas: Compliance Administration, Compliance Operations, and Internal Audit. Compliance Administration manages core compliance activities, including policy management, communications, training, anti-money laundering and monitoring of regulatory settlement obligations. Compliance Operations is responsible for ensuring the requirements of new mandates are implemented for each of the main business areas, such as Pharmacy, Medicare, Medicaid, and Commercial Insurance. The Compliance Operations team includes Business Compliance Officers (BCOs) and compliance leads with subject matter expertise in the areas they support to ensure appropriate oversight, validation and monitoring of compliance activities. The Compliance Operations team also is responsible for performing compliance risk assessments, compliance analytics and supporting Ethics Line inquiries. Internal Audit serves as an independent assurance function assessing financial and operational controls and procedures. The Chief Audit Executive reports to the Audit Committee of the Board and administratively to the CCO. The independent nature of the Internal Audit activity helps to provide a third line of defense to help validate our overall performance.

Implementing Monitoring, Auditing and Reporting Systems

We have a number of BCOs who are designated Compliance Department staff members assigned to different business units. The BCOs work closely with their respective business units with the goal of creating two-way communication between the Compliance Department and our various businesses. In

addition to informing the business of new or changing compliance requirements, the BCOs meet regularly with business unit leaders to identify potential compliance issues resulting from their business initiatives. The BCOs also coordinate with the Legal Department to interpret laws and regulations and assess risk. When action is required by the business to address a compliance-related issue, the business will be responsible for developing an action plan. The BCO will approve the action plan and will monitor and report on its progress. Additionally, we use other tools and processes, including Compliance Risk Assessments and Internal Audit reviews, to monitor and detect policy violations or improper conduct.

Compliance Program Metrics

We periodically evaluate the overall effectiveness of our Compliance and Integrity Program, primarily through a Compliance Risk Assessment and regular reviews implemented by Internal Audit. Another tool utilized to measure Compliance and Integrity Program effectiveness and the Compliance culture within our organization is the annual colleague engagement survey. This survey includes soliciting information from a broad range of colleagues covering every level from senior executives to hourly colleagues. Survey results are communicated across the organization and used to modify Compliance and Integrity Program components accordingly.

Additionally, we have programs that incentivize our values and ethical behavior. Colleagues must comply with all applicable laws and regulations and CVS Health policies and procedures to be eligible to receive an award under these programs. Furthermore, starting in 2012, we took steps to remove controlled substances from our prescription volume metrics that could impact pharmacy staff compensation. Our colleagues are never incented to dispense opioids.

Legal Notice, Cautionary Statement Concerning Forward-Looking Statements

The Private Securities Litigation Reform Act of 1995 (the "Reform Act") provides a safe harbor for forward-looking statements made by or on behalf of the Company. In addition, the Company and its representatives may, from time to time, make written or verbal forward-looking statements, including statements contained in the Company's filings with the United States Securities and Exchange Commission (the "SEC") and in its reports to stockholders, press releases, webcasts, conference calls, meetings and other communications. Generally, the inclusion of the words "anticipate," "believe," "estimate," "expect," "intend," "project," "should," "will" and similar expressions identify statements that constitute forward-looking statements. All statements addressing operating performance of CVS Health Corporation or any subsidiary, events or developments that the Company projects, expects or anticipates will occur in the future, including statements relating to corporate strategy; revenue growth; adjusted revenue growth, earnings or earnings per common share growth; adjusted operating income or adjusted earnings per common share growth; free cash flow; debt ratings; inventory levels; inventory turn and loss rates; store development; relocations and new market entries; retail pharmacy business, sales results and/or trends and operations; PBM business, sales results and/or trends and operations; specialty pharmacy business, sales trends and operations; LTC pharmacy business, sales results and/or trends and operations; Health Care Benefits business, sales results and/or trends, medical cost trends, medical membership growth, medical benefit ratios and operations; the Company's ability to attract or retain customers and clients; Medicare Advantage and/or Medicare Part D competitive bidding, enrollment and operations; new product development; and the impact of industry and regulatory developments, as well as statements expressing optimism or pessimism about future operating results or events, are forward-looking statements within the meaning of the Reform Act.

The forward-looking statements are and will be based upon management's then-current views and assumptions regarding future events and operating performance, and are applicable only as of the dates of such statements. The Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

Please see the Company's latest Annual Report on Form 10-K and subsequent SEC filings for a discussion of risks that could cause actual results to vary materially from those indicated or anticipated.