



2007 CORPORATE SOCIAL RESPONSIBILITY REPORT



Our Vision

We strive to improve the quality of human life.

Our Mission

Above all else... our mission is to improve the lives of those we serve by making innovative and high-quality health and pharmacy services safe, affordable and easy to access.

Our Values

Our Customers

We are passionate and relentless in our goal to continuously innovate and improve service to our customers ... every day, every way and every customer.

Our Colleagues

We work as a team. We are committed and act with integrity. We all deserve respect as well as a supportive work environment that recognizes and rewards our contributions ... we accept nothing less.

Our Contributions

In the end, it's all about results – achieving our financial goals as well as giving back to the communities we serve. We hold each other accountable for all aspects of our performance ... without exception.

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Dear Stakeholders,

2007 was a transformational year for our company. In March, CVS Corporation merged with Caremark Rx, Inc., to become CVS Caremark, the largest pharmacy health care provider in the United States.

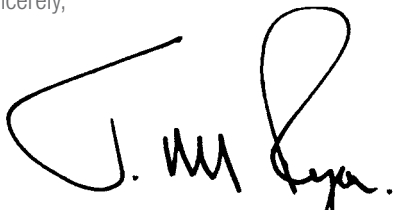
Now as a combined company we have created a new model in health care, one that will leverage both of our strengths to make health care more affordable, offer patients easier access and improve patient outcomes. Early on in our journey as CVS Caremark a bold new Mission for our company emerged, underscoring both what we do, and how we do it: "Above all else...our mission is to improve the lives of those we serve by making innovative and high-quality health and pharmacy services safe, affordable and easy to access." It's a clear statement of our focus today and for the future.

In 2007 in addition to our new Mission, we launched a new Vision and set of Values for our company. Our Values are not just words on paper; rather they serve as important guideposts to help us navigate our journey as a good corporate citizen and leader in health care today. And embedded in our culture is the shared commitment we have to act responsibly, conduct our business ethically and to continually earn the trust of those we serve. Our Vision, Mission and Values are an expression of this commitment and the true essence of who we are and what we strive to be.

In this document, our first Corporate Social Responsibility Report, we illustrate how our culture and values guide our approach to customer service, an approach based on creating personal connections with our customers – relationships built on trust. We are able to foster these one-on-one bonds because of our steadfast commitment to our colleagues and to their well-being. In turn, our colleagues have demonstrated high levels of engagement in their own work, to their teams and to the company, levels that exceed most U.S. workers. This Report also highlights what we are doing to give back to our communities, and in particular, to help make life easier for children with disabilities. In addition, we discuss the steps we are taking to manage our environmental responsibilities today and to set the course for tomorrow. We invite you to share your feedback and tell us how you believe we're doing.

Let me conclude by re-emphasizing the tremendous opportunity we envision for CVS Caremark to make health care more affordable, easier to access and result in better health outcomes. We can achieve our aspirations by doing what we do best: connecting one-on-one with our customers, engaging every one of our colleagues, and improving the quality of human life in each community we serve. It's a Vision that speaks to the heart and soul of our organization and serves to inspire us to believe that we, as colleagues, have a greater purpose to try to make a difference in people's lives.

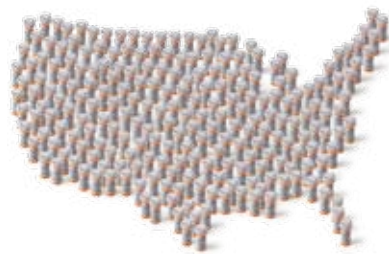
Sincerely,

A handwritten signature in black ink, appearing to read "T. M. Ryan". The signature is fluid and cursive, with a large loop at the end.

Thomas M. Ryan
Chairman of the Board, President & CEO

CVS Caremark Company Profile

CVS Caremark is the largest pharmacy health care provider in the nation. The company fills or manages more than 1 billion prescriptions annually. Through its unmatched breadth of service offerings, CVS Caremark is transforming the delivery of health care services in the U.S. The company is uniquely positioned to effectively manage costs and improve health care outcomes through its 6,300 CVS/pharmacy stores; its pharmacy benefit management, mail order and specialty pharmacy division, Caremark Pharmacy Services; its retail-based health clinic subsidiary, MinuteClinic; and its online pharmacy, CVS.com.



Company Data—2007 (52 weeks)

Financial Highlights

(in millions, except per share figures)

Revenues	\$76,329.5
Operating profit.....	4,793.3
Net earnings.....	2,637.0
Diluted earnings per common share	1.92
Stock price at calendar year end	39.75
Market capitalization at calendar year end.....	58,706.42

Operational Highlights

Store count at year end.....	6,245
Retail clinic count at year end.....	462
Retail specialty pharmacy stores.....	56
Specialty mail order pharmacies	20
Mail service pharmacies.....	9
Number of employees	190,000
Facility and store locations	44 States & District of Columbia



Our Commitment to Good Corporate Governance

In 2007, we completed our transformative merger of equals, creating CVS Caremark, the nation's premier pharmacy health care provider. We have since reviewed the corporate governance of both organizations, identified existing best practices, and then created a solid foundation to ensure we remain responsive, accountable and transparent to our stockholders and in full compliance with laws and regulations.

We understand how much a company's culture impacts its performance. Thus, we established a unifying Vision, Mission and set of Values that define us as CVS Caremark and will serve as a guiding beacon for how we conduct our business. As stated in our Values, we are firmly committed to acting with integrity and holding each other accountable for all aspects of our performance...without exception.

CVS has a long history of conducting self-assessments, researching best practices, and then evolving our Corporate Governance Guidelines, which were initially established even before CVS became a public company in 1996. CVS Caremark will continue to build upon this leadership legacy and maintain a proactive approach.

In November 2007, our Board of Directors adopted the most recent version of our Corporate Governance Guidelines, which in every respect meet or exceed the listing standards adopted by the New York Stock Exchange (NYSE). Our current Corporate Governance Guidelines are posted on our Web site.

External Recognition of Our Corporate Governance

As of May 1, 2008, the ISS Governance Services unit of RiskMetrics Group reported that when it comes to corporate governance, CVS Caremark Corporation outperformed 75.3% of the companies in the S&P 500 and 93.2% of the companies in the Food and Staples Retailing group.

In addition, *Institutional Investor* magazine ranked CVS Caremark as the Top Shareholder-Friendly Company for 2007 in the Retailing Food & Drug Chains Category.

Our Corporate Governance Policies

- Annual election of all directors
- Conflict of Interest Policy with annual certification
- Majority voting
- Stock ownership guidelines for all directors and officers
- Insider Trading Policy with annual certification
- All stock-based incentive plans have shareholder approval
- Stockholders ratify auditors
- Lead independent director
- Comprehensive Code of Corporate Conduct
- Ethics Hotline

Recent Changes to Our Governance Policies

In 2007, significant changes to our corporate governance policies were adopted, including:

- Majority of votes cast policy for director elections
- Restructuring of our Board, and adoption of a lead director position
- Formalized policy on stock option grants

Adoption of Majority of Votes Cast Policy

Majority voting has become an increasingly important issue for shareholders. More than half of S&P 500 companies have adopted election reforms. In 2007, the board of CVS Caremark adopted a new “majority of votes cast” policy. Under this policy, each director is elected by a majority of votes cast by stockholders of common stock and ESOP preference stock, voting together as a single class. To be elected, a nominee must receive “for” votes of a majority of total votes cast. If a nominee receives more “against” votes than “for” votes, the nominee’s resignation will be considered by the Board and accepted, absent a determination that a compelling reason exists for concluding that it is in the company’s best interests for an unsuccessful incumbent to remain a director.

Presently, SEC rules, as well as those of the NYSE, permit brokers to vote client shares in uncontested elections and other “routine matters” if they haven’t received client instructions within 10 days of a company’s meeting, although this rule may be subject to change in the future. Brokers may vote “uninstructed” client shares either in favor or against the routine matter, and several major brokerage firms now vote uninstructed shares in the same proportion of “for” and “against” votes as the shares for which they receive instructions. CVS Caremark counts broker votes in the election of Board members, but not abstentions and broker non-votes as votes cast, in accordance with existing rules.



Restructuring of Our Board

After the merger, the composition of the board was revised and initially expanded to 14 members. Our objective is to have an appropriate mix of backgrounds, skills, expertise and diversity represented among the directors to ensure that our board is well-positioned to shape and guide the long-term vision of transforming the delivery of health care. The criteria used to evaluate director candidates are included in Exhibit A of our 2007 Proxy Statement.

In March 2007, seven individuals designated by the board of Caremark Rx, Inc. were elected to the CVS Caremark board and subsequently nominated for re-election at our stockholder meeting in May. All of the directors were subsequently elected by a majority vote of our stockholders.

Appointment of a Lead Director

In November 2007, Chairman of the Board Mac Crawford retired and Tom Ryan, the company's CEO and President, assumed the additional role of Chairman. Simultaneously, the board of directors created a lead director role and appointed Terrence Murray to serve as its independent lead director.

The CVS Caremark board believes that while all directors are elected by stockholders and all have an equal voice, it is in the best interests of the company for the Board of Directors to appoint an independent, non-management lead director. The lead director presides at all meetings of the Board at which the chairman is not present; has the authority to call and lead non-management director and independent director sessions; facilitates communication between the chairman and independent directors; and advises the chairman on the Board's informational needs, meeting agendas and meeting schedules.

The company's Corporate Governance Guidelines were formally amended in November 2007 to reflect the responsibilities of the new lead director role. At year end, accounting for another Board member resignation, the Board had 12 members.

Stock Option Grants

The Board has adopted a formal policy on stock option grants that it considers appropriate, in the best interests of the company and stockholders, and fully compliant with best practices, applicable law and accounting rules.

Other Governance Practices

Board Independence

According to our Corporate Governance Guidelines, the majority of directors must meet the NYSE Bright Line requirements for independence as well as our own categorical standards for director independence. The Board determines the independence of each director in March of each year, and will re-evaluate those determinations as needed during the year. In March 2008, 11 of the 12 directors on our Board were determined to be independent. Only independent directors serve on the Board's Nominating and Corporate Governance, Audit, and Management Planning and Development Committees.

Board Attendance

Directors are expected to attend Board and their respective committee meetings, as well as the annual meeting of stockholders. Meeting attendance for the Board and committee meetings was nearly perfect in 2007, with an overall attendance record of 97 percent.

Director Orientation and Continuing Education

All new directors are strongly encouraged to participate in our director orientation program and receive a comprehensive briefing on the company, its operations and policies. Ongoing learning opportunities are also available to all directors. The Nominating and Corporate Governance Committee oversees the orientation and continuing education program for directors.

Stockholder Proposals

In accordance with SEC rules, we reprint properly submitted stockholder proposals and supporting statements, as they were submitted to us, in our proxy statement. Once filed, we often focus on engaging and communicating with the filing parties in order to better understand their concerns.

Among S&P 500 companies, an increasing number of stockholder proposals have been filed in recent years. For our 2007 meeting of stockholders, our company received nine stockholder proposals on matters ranging from limits on CEO



On March 24, 2008, CVS Caremark commemorated the first anniversary of our transformational merger by ringing the opening bell at the New York Stock Exchange. CEO Tom Ryan was joined by other senior executives, as well as a Pharmacist, Store Manager, Nurse Practitioner and Pharmacy Supervisor, to represent the 190,000 colleagues that make up our organization.

compensation to the company's policy on stock option grants. With the exception of a proposal to separate the roles of chairman and CEO, all other stockholder proposals either were withdrawn prior to the meeting or failed to get the required majority vote in favor. However, CVS Caremark adopted several related changes – either prior to or following the annual meeting of stockholders – based on what we believe to be in the best interest of the company and our stockholders. Several of these changes have been referenced previously.

Executive Compensation

Our executive compensation policies and programs are designed to attract, retain and motivate talented leaders to drive company performance. The Board and its Management Planning and Development Committee are committed to designing, implementing and administering a compensation program for senior executives that aligns with and supports our business strategy while ensuring an appropriate link between pay, company performance and results for stockholders. Between 70 to 80 percent of executive compensation is based on performance, and 90 percent of the CEO's compensation is linked to performance. Simply put, when the company performs well, stockholders benefit, as do our executive officers.

At CVS Caremark, we view executive compensation as an ongoing and iterative responsibility. The Management Planning and Development Committee oversees our executive compensation program, reviewing and approving compensation packages for our senior officers on an annual basis. This Committee also strives to ensure that our executive compensation program is appropriate and is aligned with best practices among our peer group.

In our 2007 proxy statement, we took a comprehensive approach to communicating our executive compensation philosophy, core principles, program design and components, and determination and review process. We also provided a full disclosure on employment agreements and pay packages for CVS executive officers.

Business Ethics and Compliance

CVS Caremark is committed to complying with the law and promoting high ethical standards that, we believe, are responsibilities shared by everyone in our organization. Having an effective and comprehensive compliance program is key to fostering a culture of integrity and ethical conduct. CVS Caremark has such a program in place, led by our chief Compliance Officer, who is responsible for its overall operation and deployment.

We rely on a variety of mechanisms for assessing risk, auditing processes and ensuring that our policies and procedures are being properly followed throughout the organization. In the event there is cause for concern, we take immediate steps to investigate and resolve the matter. Two committees of the Board provide oversight for compliance, while the entire Board would be informed of significant compliance issues.

Code of Conduct

Prior to the merger, both CVS and Caremark maintained Codes of Conduct and provided training and communication on their respective codes and ethics programs. By creating a unifying Code of Conduct, we established the cultural identity of our company based on our new Vision, Mission and set of Values. In March 2008, we completed a fully integrated Code of Conduct that encompasses the different nature of each organization's operations, policies and regulations. We are in the process of rolling out a robust certification, training and awareness-building program for the new Code, to be followed by annual training.

Ethics Hotline

Both CVS and Caremark have maintained formalized compliance programs, including dedicated hotlines for employees and suppliers to report any wrongdoing or misconduct. CVS and Caremark used the same independent third party vendor to manage their hotlines. Any matter reported through the hotlines could be made anonymously and without fear of retribution.

Following the merger, both organizations continued to maintain their respective hotlines, although we integrated the process for reporting and following-up on matters. In 2008, the ethics hotlines will be consolidated into a single, enterprise-wide hotline.

Stakeholder Engagement

In 2007, CVS Caremark benefited from engaging stakeholders and listening to their constructive feedback. This type of feedback is highly valued as it helps to inform our organization about the preferences and concerns of those who are directly or indirectly impacted by the company's activities. Below we outline the variety of ways we engage and encourage two-way communication with our stakeholders.

Stakeholder	Examples of Engagement
Colleagues	<ul style="list-style-type: none"> • Regular communication e-mails and voicemails from management • Employee publications • Code of Conduct and Ethics Hotlines • Intranet sites • Employee Engagement Survey • Problem solving/issue resolution process • Networking groups • Ongoing training programs and career development initiatives • Wellness programs and initiatives
Customers	<ul style="list-style-type: none"> • Internet sites • Annual tracking studies • CVS Advisory Panel • Customer relations program and hotline • ExtraCare customer loyalty program • Trends Report for PBM customers
Stockholders	<ul style="list-style-type: none"> • Regulatory disclosures and reporting • Stockholder proposals • Annual meeting of stockholders • Quarterly earnings conference calls • Comprehensive investor relations area on Web site • Information for contacting directors posted on Web site • Communication with individual and institutional investors • Proactive domestic and international road show program • Responsiveness to informational needs of equity and fixed income analysts
Suppliers	<ul style="list-style-type: none"> • Supplier education forums on sustainable packaging • Supplier Summit • Supplier Code of Conduct and Ethics Hotline access
Local Communities and Partners	<ul style="list-style-type: none"> • Employee volunteerism initiatives • Charitable giving programs • Community outreach efforts (e.g. pharmacists in the community, CVS Samaritan Vans and disaster relief) • CVS Caremark All Kids Can, our signature program • Partnerships with various nonprofit organizations • Sponsorships of charitable sporting events
Regulators	<ul style="list-style-type: none"> • Site visits and inspections • Regulatory disclosures and reporting



Transforming Pharmacy and Health Care for Our Customers

The U.S. health care system is being strained today by rising costs and increasing complexity, thus requiring consumers to take greater control over their own health care decisions and assume a larger share of their medical expenses. As a world-class pharmacy and health care services company, CVS Caremark is working to improve the lives of those we serve by making health and pharmacy services accessible, safe, affordable and less complex, all of which results in better quality care and better health outcomes.

In 2007, CVS Caremark provided customer-centric care to more than 150 million U.S. customers. It is in our DNA to provide superior customer service—to be the easiest pharmacy retailer, specialty pharmacy, mail order pharmacy, retail-based health clinic, and pharmacy benefit management (PBM) provider for customers and patients to access.

Throughout this section, we provide more detail on our efforts to:

- Make things “CVS Easy” at retail
- Deliver customer-centric care at Caremark
- Ensure quality health care at MinuteClinic
- Protect patient privacy and data security





Making Things “CVS Easy” at Retail

CVS/pharmacy fills more than one of every six retail prescriptions in the U.S., and one out of five in markets where CVS/pharmacy stores are located. Our colleagues work hard to make things “CVS easy” for our customers—from the Pharmacy and Front Store, to CVS.com.

Understanding Our Customers’ Needs

The largest segments of our customer base at CVS/pharmacy are women and seniors. We implemented a number of initiatives and programs in 2007 that were designed to engage and address the needs of these customers.

Retail Customers: Women

Over the past several years, we conducted extensive research to better understand the needs of our female customers, who represent about 75 percent of our customer base. We learned that many of them serve as the health care gatekeeper for their family and feel that caring for themselves and their family’s health and wellness is their most important job.

Based on this research, we were able to better understand the stress and challenge of being a caregiver. The findings led us to:

- Launch a new section on CVS.com to assist caregivers with prescription management and provide them with a variety of tools and resources to make their jobs easier.
- Encourage caregivers to work with our pharmacists through in-store consultations in order to better understand the proper use and management of medication.
- Create our “For All the Ways You Care” campaign, which celebrates women and their role as nurturers and caregivers, and includes: a Web site with an online forum for sharing experiences; an advertising campaign; and an event to honor those who care.



Retail Customers: Seniors

Consumers over the age of 50 are our fastest growing pharmacy customer group. Seniors are in need of resources to help them maintain the best possible quality of life and to help them more effectively manage their medications. According to the Centers for Disease Control and Prevention (CDC), 31 percent of the population between the ages of 35 to 64 takes three or more prescriptions per month, and this rises to 52 percent for those 65 and older. In order to more effectively meet the needs of seniors, we focused our efforts around four core initiatives in 2007:

- Introducing the New Blue Easy Read™ label—making it easier for seniors to effectively and safely manage their medications.
- Partnering on the “Prescription for Better Health” Campaign with the National Council on Aging (NCOA)—providing in-store and community outreach programs that offer free health information on medication management, heart health and healthy aging.
- Providing ongoing Medicare Part D education and counsel—making online tools and pharmacist counseling available to help seniors compare plans and achieve greater compliance.
- Promoting generic education and utilization—helping seniors learn more about generic medications and the inherent cost-savings opportunity.



Enhancing the CVS/pharmacy Customer Experience

We continuously work to enhance the customer experience within our stores by:

- Delivering on the basics and building strong personal connections
- Measuring customer satisfaction
- Rewarding customer loyalty and delivering unique value with ExtraCare
- Improving accessibility at retail via 24-hour stores, drive thru and mail order
- Changing accessibility of certain products

Delivering on the Basics and Building Strong Connections

Every CVS/pharmacy store is measured on three core performance metrics that are essential in order to meet – or exceed – our customers’ expectations. We refer to these as our “Triple S” factors:

- Stock – having the right products at the right place at the right time
- Shop – ensuring the store is easy to navigate as well as clean, neat and well-maintained
- Service – providing efficient service from colleagues who are professional, helpful and friendly

Our best-performing stores are those where Triple S factors are not only met, but also where our pharmacists and colleagues are highly engaged in their work, go the extra mile to provide exceptional service, and make an emotional connection with their customers. In 2007, tens of thousands of customers reached out to our corporate headquarters to thank us for extraordinary efforts on the part of our pharmacists and colleagues who made a difference in their lives, which reaffirms the value we place on building strong personal connections.



Measuring Customer Satisfaction

According to the J.D. Power and Associates 2007 Retail Pharmacy Satisfaction StudySM, which was conducted in 2006, CVS/pharmacy tied for second in overall customer satisfaction among national retail chain pharmacies, which includes measures for: convenience; non-pharmacist staff; medication availability and information; store layout and design; competitiveness of pricing; and pharmacist.

To measure customer satisfaction further and gain a better understanding of the customer experience, we:

- Use a third-party market research firm to conduct an annual tracking study to measure all of our stores against many factors, including the service dimensions of Triple S.
- Solicit the opinions and feedback, on a variety of topics, from the 40,000 customers who comprise our CVS Advisory Panel.
- Maintain a customer relations program through which customers can contact us via a number of channels. We respond to these contacts in a timely manner, and we monitor and track customer compliments and complaints so that we can continue to improve our overall service. Each contact is provided to the appropriate department heads so that we can keep the customer at the center of our operations throughout the organization.

Rewarding Customer Loyalty with ExtraCare

Our ExtraCare program, the largest retail loyalty program in the country, gives us the opportunity to reward our estimated 50 million active ExtraCare customers, let them know that we care about their needs and make their shopping experience easier.



Using Customer Feedback to Enhance ExtraCare

In 2007, approximately 24,000 ExtraCare customers called our customer service hotline to ask about changes to our ExtraCare program. While just a small percentage of our millions of cardholders, this represented a dramatic increase over the number of ExtraCare related contacts made in 2006. We attributed the increase to certain new promotions introduced at the end of 2006, some of which created confusion for customers. We responded by clarifying and improving the ExtraCare program and by introducing ExtraBucks Now, a program that delivers special savings to customers in a more immediate way.

Improving Accessibility at Retail

CVS/pharmacy is committed to making our stores convenient and inclusive. To that end, we have been taking steps to improve:

- Store access—We operate 6,300 stores across the country, many of which are freestanding-format stores that offer a quick in-and-out experience. A significant proportion of our stores are open 24-hours a day or have extended hours, many with drive-thru pharmacies.
- Store environments—We strive to make our stores comfortable, navigable and consumer-oriented, especially for women, by featuring: lower-height shelving; wide, carpeted aisles with a clear pathway to the pharmacy; easy-to-understand store graphics and signage; and dedicated beauty areas with specialized beauty advisors.
- Convenience—An increasing number of our stores have a MinuteClinic on the premises so that our customers have much better access to routine health care.
- Accessibility for disabled customers—We provide shopping assistance and, in some areas, home delivery services for customers with disabilities, and we meet or exceed the requirements of the Americans with Disabilities Act (ADA).
- Service for non-English-speaking customers—Throughout our stores, we have Language Line translation services available to support customers in more than 120 languages. In certain markets we are working to staff our stores with more multilingual employees. We provide prescription information printouts in English and Spanish, and some of our stores feature bilingual signage. All of our customer feedback mechanisms allow for English, Spanish, and in some cases a variety of other languages as well.
- Prescription policy—We provide prompt and efficient service to customers by dispensing all legally prescribed medications with respect and by making retail and over-the-counter medicines easily accessible in all locations, except in those rare circumstances where state and federal regulations or loss prevention requires modifications. In those circumstances, we fully comply with approved government regulations and company personnel are always available to explain company policy.



Delivering Customer-Centric Care at Caremark

In 2007, we served more than 80 million customers and patients through our seven customer care centers, nine mail service pharmacies, 20 specialty mail order pharmacies and 56 retail specialty pharmacy stores. Our PBM programs provided comprehensive prescription benefit management services to more than 2,000 health plans. We also offer Caremark plan participants the convenience and choice of getting their medicines at one of more than 59,000 participating retail network pharmacies.

In addition to providing cost-saving pharmacy, health care and disease management services, we are committed to enhancing our service offerings further by delivering customer-centric care. We do this through:

- Call center excellence—Caremark's Customer Care call center interfaces with nearly 50 million customers annually. In January 2008, Caremark was recognized for call center customer satisfaction excellence for the second time under the J.D. Power and Associates Certified Call Center ProgramSM, one of approximately 40 U.S. companies to receive this certification.
- Customer satisfaction leadership—In the 2007 J.D. Power and Associates Retail Pharmacy Satisfaction StudySM, Caremark was ranked highest overall in customer satisfaction among 11 mail order pharmacy service providers, achieving the highest rankings in two of the five related performance factors. PharmaCare, which was integrated into the Caremark Pharmacy Services division of our company following the 2007 merger, ranked second overall, rating highest on competitiveness of pricing and non-pharmacist staff, and exceeding the segment average on convenience.
- URAC accreditation—In 2007, we received Pharmacy Benefit Management and Drug Therapy Management Accreditations from URAC, a nonprofit organization that is a leader in promoting quality health care. These accreditations recognize our dedication to: overall quality; patient care; patient safety; customer service; outcomes measurement; quality improvement; and adherence to standards that drive appropriate therapeutic outcomes for consumers.
- Knowledge sharing—We provide our customers with knowledge so that they are better able to manage their health care needs, reduce their health care costs; and achieve improved health outcomes. Our Web site

contains comprehensive health and medical information on a wide range of topics. In 2007, we began sharing a readiness plan to help our clients and plan participants be prepared in the event of a pandemic flu.

- Technology integration—We leverage technology, such as e-prescribing, that makes our services more convenient and safe and that help our customers identify cost savings opportunities, such as with iBenefit™ icons on our Web site.
- Best practice adaptation—We look for opportunities to leverage CVS best practices in a way that benefits our PBM customers and in 2008 we plan to introduce the ExtraCare Health card as a way to provide beneficial health promotions for plan members.
- Inclusive customer care—Our customer materials are translated in languages other than English as necessary based on the population served and we utilize language assistance via TeleInterpreters for individuals who call. We also provide the Telephone Device for the Deaf (TDD) and the Duxbury Braille Translator Program for the blind.



Health Management Programs for Patients with Chronic Diseases

Accordant, a CVS Caremark company, offers the most extensive health management programs in the industry for patients who are at-risk for – or suffer from – complex and chronic diseases including diabetes, asthma and heart disease. Our fully integrated health management programs emphasize adherence and provide individualized treatment plans, support, personalized counseling, education and online resources to help participants gain greater control of their health.

Our Accordant Care Management programs are URAC accredited and Caremark is the only PBM to achieve full patient and practitioner accreditation from the National Committee for Quality Assurance (NCQA). These independent, third-party accreditations offer further validation to clients and participants that they can rely on Caremark to provide the highest quality disease-management programs essential for achieving total health outcomes.



Specialty Pharmacy Delivers Unparalleled Support and Convenience

Caremark is a leader in specialty pharmacy, having pioneered this category 30 years ago.

We understand that patients with chronic or genetic illnesses face special challenges and so we have designed our specialty pharmacy services to help ease their challenges and enhance patient compliance and adherence, important factors in improving health outcomes and lowering costs. Specifically, we:

- Provide express delivery of injectable medications, additional medical supplies and disposal kits directly to a patient's home or office.
- Assign each participant a pharmacist-led CareTeam that is available 24/7 to provide individualized support, troubleshoot concerns, monitor product supplies, and continually evaluate how the patient is doing.
- Provide patients with personalized access to highly trained pharmacists to help them manage their specialty therapies.





Ensuring Quality Health Care at MinuteClinic

By early 2008, MinuteClinic, a pioneer in retail-based health clinics, had completed more than 2 million patient visits. With more than 500 locations in 25 states, MinuteClinic is the largest retail-based health provider in the United States. Our goal is to provide our customers with quality health care that is:

- Quick—visits last about 15 minutes and do not require an appointment
- Affordable—the cost of treatments, which average \$59, are posted in our clinics and on our Web site and are reimbursable by most insurance plans
- Convenient—open seven days a week in easily accessible locations, such as CVS/pharmacy stores

MinuteClinic offers treatment for common illness and adheres to the same principles as traditional health care centers. The innovations and safeguards that we use to ensure quality care and patient safety include:

- Focused Treatment—Patients needing treatment beyond our scope of services are referred to their primary care provider or other health care center for appropriate care.
- Qualified Clinicians—Our licensed and board-certified nurse practitioners have the clinical experience to ensure effective treatment of common family illnesses.
- National Clinical Practice Guidelines—We rigorously adhere to nationally established clinical practice guidelines established by such leading associations as the American Academy of Family Physicians and the American Academy of Pediatrics.
- Quality Control—Our proprietary Electronic Medical Records (EMR) System ensures that procedures are followed consistently; it includes an automated chart review process to ensure continuous improvement.
- Accreditation from The Joint Commission—We are the first and only retail clinic to be accredited by The Joint Commission, the national evaluation and certifying agency for nearly 15,000 health care organizations and programs in the United States.
- Physician Collaboration—Our services complement, not replace, the health care that patients receive from primary care providers. We stress the importance of a regular medical home with every patient and provide referrals to primary care physicians for patients who do not have one.



MinuteClinic Offers Exceptional Care for Sore Throats

In December 2007, the *"American Journal of Medical Quality"* found that our clinics provide "exceptionally high-quality care" for acute pharyngitis (sore throat). This one-year study of nearly 60,000 patient visits to MinuteClinic found that our nurse practitioners and physician assistants had a combined guideline adherence rate for both positive and negative rapid strep tests of 99.15 percent. This study demonstrated that our rigorous adherence to clinical guidelines improved rates of appropriate treatment and reduced unnecessary antibiotic prescriptions.

Delivering Customer Satisfaction

The quality of health care provided at MinuteClinic is reflected in the high level of customer satisfaction achieved, which according to our internal satisfaction survey was 99 percent in 2007. Our survey, which was validated by an independent external research study, also found that 98 percent of MinuteClinic users were likely to recommend MinuteClinic to others.

Protecting Patient Privacy and Data Security

At CVS Caremark, we are committed to maintaining the privacy of our customers' health and financial information. We continue to devote resources to safeguarding sensitive information. As a founding participant and Executive Council member of the Health Information Trust Alliance (HITRUST), we are taking a leadership role in the development of the first ever common security framework for the protection of health information.

Across the enterprise, we adhere to industry standards and have implemented a number of procedures to ensure the security of credit card information, guard against identity theft and prevent fraud. We have invested in various controls and systems to protect sensitive data. In our stores, we have implemented several procedures and protective steps to ensure the safety of credit card information. Our Information Security Office defines and implements enterprise-wide policies and has developed a security framework, which controls user authentication and authorization and includes intrusion detection software and firewalls at all entry points to the network. All company laptop computers include encryption software.

We work very closely with our clients to ensure that appropriate security measures are in place when the company sends confidential information and when it audits third-party vendors who have access to patient information. Our chief privacy officers are responsible for authorizing all requests for data, which must meet HIPAA compliance standards and our own internal guidelines.

Depending on the roles and responsibilities of employees across the organization, privacy (and, specifically, HIPAA) and security training for employees covers policies and procedures, disclosures violations, and physical and technical standards, as well as employee responsibilities and sanctions.

The company is currently reviewing and rewriting all privacy and security policies to incorporate best practices based on the company integration efforts.



Protecting Patient Privacy in Retail Operations

In our retail operations, we protect patient privacy by maintaining consistent workflow safeguards and by effectively managing:

- Pharmacy and patient interactions—We use soft voices for conversations between pharmacy staff and patients; ask customers to provide their address so we can verify their identity; and train our staff on our policies and procedures for protecting patient privacy.
- Pharmacy layout and design—We set aside a specially designated area for patient and pharmacist consultations; install privacy shields on computer displays; and provide a physically secure pharmacy entrance for authorized personnel.
- Confidential waste disposal—We require confidential waste to be handled through a special process involving secure bags sent to our distribution centers for destruction. We are piloting a program, in select stores, using a certified, third-party service to manage our confidential waste disposal through on-site shredding.
- Privacy notification—We provide our privacy notices and policies on our Web sites; print our privacy policy in prescription monographs for first-time customers; and are piloting a program that places privacy information signage in select stores.
- Privacy complaints—We maintain a privacy office that responds to every privacy complaint with a set protocol that involves: processing, tracking, reviewing, making improvements and when appropriate, retraining or developing a corrective plan.
- ExtraCare cardholder privacy—We are more conservative than most companies in that we never give or sell cardholder information to manufacturers or direct marketers. Cardholders are required to acknowledge our privacy statement and “opt-in” to receive special offers.

Similar policies and procedures are in place to protect patient privacy at Caremark’s mail order and specialty pharmacies and in our MinuteClinic operations, although they have been adapted to meet the unique workflows of these operations.



Prescriptions and Products

CVS Caremark fills or manages more than one billion prescriptions per year, more than any other pharmacy services provider in the United States. In addition, through our CVS/pharmacy retail stores and online at CVS.com, we carry a wide array of products in the categories of health, beauty and household. Throughout the enterprise, we are committed to a Mission of improving the lives of those we serve by making innovative and high-quality pharmacy services and products safe and affordable.

In this section, we examine the company's commitment to:

- Ensuring prescription safety
- Handling the return and disposal of pharmaceuticals
- Making pharmacy services affordable
- Ensuring product quality and safety

Ensuring Prescription Safety

Prescription safety is not only a health care industry issue; it is our highest priority at CVS Caremark. Every day our pharmacists and pharmacy staff safely fill nearly two million prescriptions. Our industry-leading pharmacy systems and standardized processes are designed to enhance the accuracy of the prescription-filling process. For us, ensuring prescription and patient safety is a continuous improvement process. We have made an ongoing commitment to:

- Quality assurance
- The right resources
- The right technology
- Patient involvement

Quality Assurance

All of our pharmacy operations follow comprehensive quality assurance processes that improve prescription safety and accuracy.

The dispensing process employed in Caremark's mail service operations includes the following measures:

- Enhanced quality control—bar-coded numbers are assigned to all order forms and prescriptions for automated tracking and to ensure that the proper medications are dispensed.
- Electronic imaging—high-resolution scanned images are made of all hard-copy prescriptions, which eliminates lost correspondence and makes the dispensing process more efficient.
- Pre-fulfillment seven-point quality assurance check—a registered pharmacist verifies key patient, drug, medication instructions, and refill information prior to dispensing.
- Quality procedures for compounded prescription items—we follow the highest standards of good pharmacy practice, including compounding medications one prescription at a time.
- Integrated system for eligibility verification and drug utilization review—when orders are received, the plan participant's identity is checked against our integrated retail and mail service system to confirm eligibility status and the claim is adjudicated according to the client's plan design.
- Final quality assurance check—a separate registered pharmacist verifies all components of each plan participant's order prior to packaging. This includes comparing a high-resolution image of the contents in the container to a file image of the prescribed drug, as well as physically examining the container's contents.

In 2007, several improvements were made to the quality assurance process at Caremark. These include:

- Consolidating and centralizing error tracking and reporting to one system platform.
- Assigning "process champions" and "process owners" to drive best-in-class performance.
- Various technological enhancements to alleviate misfills.

CVS/pharmacy also has well-defined quality assurance processes in place. Over the past two years, several process enhancements were made, including:

- Accuracy scanning process—the National Drug Code (NDC) must now be scanned on both the pharmacy bottle and the prescription label to ensure a match.
- Pharmacist verification screen—computer displays now show the image of the pill being dispensed, identify pediatric and infant patients, and display the patient's age (not just date of birth).
- High Alert Medication Program—combining on-screen messaging with pharmacy shelf awareness stickers, in order to differentiate between look-alike, sound-alike medications.

- Refrigerated Prescription Bookmarks—refrigerated medications are now stored with the patient's prescription and can be pulled together, while a "bookmark" is put in the waiting bin.
- Echo Check Box—enhanced entry screen provides a reminder to "echo" back and verify the drug, strength, prescription and indication for prescriptions that have been called in by the physician.
- Consultant Recommendations—retained the Institute for Safe Medication Practices (ISMP) to conduct store visits, observations and make recommendations for quality improvements.
- New Blue EasyRead™ labels—larger typeface, blue highlighting, a cleaner layout and a written description of the drug ensures that patients have the critical information they need.

At our specialty pharmacies, we employ an additional, comprehensive review process to ensure medication appropriateness and we conduct a complete plan participant assessment to ensure that no safety, administration or efficacy issues with the prescribed medication will arise.

The Right Resources

Our retail pharmacy workflow specifically defines the roles and responsibilities for all pharmacy staff. Pharmacists are responsible and accountable for verifying the accuracy of all completed prescriptions as the final step in the prescription-filling process, as well as performing many routine safety interventions, such as checking for drug interactions and allergies; conducting sound-alike, look-alike reviews; and counseling patients and caregivers. Support offered by our retail pharmacy staff allows our pharmacists to focus on the professional duties specific to their role.

Many of the same staffing principles and practices apply at Caremark's mail order pharmacies but have been adapted to address different workflow and technology-based automation capabilities. For example, if at any point during the quality assurance process a pharmacist is not satisfied that the order is absolutely correct, the order is researched by a quality control supervisor to determine the nature and origin of the issue and to ensure that it is properly resolved.

The Role of Pharmacy Technicians

While our pharmacy technicians do not fill prescriptions, they do support the fulfillment process by entering data, resolving insurance issues, and managing inventory, all under the direct supervision of a pharmacist.

Our training program for retail pharmacy technicians involves a rigorous curriculum designed to meet or exceed the standards of state boards of pharmacy. We require technicians to pass internal training at three levels as they advance their responsibilities, and we encourage them to obtain national certification through the Pharmacy Technician Certification Board, for which the company pays many of the associated costs. Approximately 12,000 of our pharmacy technicians are certified.

Pharmacy-to-Technician Staffing Ratios

Our retail pharmacy workflow system is designed to have the flexibility to safely accommodate a range of pharmacist-to-technician ratios. We use a variety of factors to determine the appropriate staffing ratios for each of our pharmacies including: state board of pharmacy regulations; prescription volume; types of prescriptions to be filled; and levels of automation that exist.

The Right Technology

CVS Caremark continuously invests in innovative, state-of-the-art technology and automation solutions that are integrated into our organized workflows, helping to ensure safety and accuracy in dispensing prescriptions. One example is e-prescribing.

e-Prescribing

CVS Caremark has taken a leadership role as an advocate for the adoption and use of e-prescribing technology, and has now equipped all facilities to accept electronically generated prescriptions. In fact, Caremark is the only PBM with its own e-prescribing solution (iScribe), and CVS/pharmacy is the first national pharmacy chain to have all retail pharmacies e-enabled.

In 2007, Caremark's iScribe service piloted an electronic prior authorization (ePA) program – one of only four in the nation being used to assess the overall feasibility of ePA. Results may influence the final standards for electronic prescription transmission and prior authorizations for Medicare Part D.

We believe e-prescribing leads to improved quality and prescription safety as well as better health outcomes and compliance as prescriptions are sent directly by the prescriber to the pharmacy, thus eliminating illegible prescriptions and transcription issues.

Patient Involvement

CVS Caremark offers every customer who fills a prescription the opportunity to receive pharmacist counseling. In 2007, at CVS/pharmacy we began exploring a variety of new counseling programs aimed at improving outcomes. Some of these pilot programs included:

- Asking customers, at the time of prescription drop-off, if they want to talk with the pharmacist.
- Providing customers with the pharmacist's business card to facilitate future follow-up.
- Having pharmacists provide educational programs to customers on specific health topics.
- Flagging new prescriptions or changes in our computers, as a reminder to initiate counseling.

Through Caremark Pharmacy Services, we work closely with patients and/or their caregivers to ensure that they know how to properly utilize the medication protocols prescribed for them. This service is available by phone 24/7.



We believe in the effectiveness of our systems and processes, which enable us to accurately fill hundreds of millions of prescriptions every year. However, any process involving people is not immune from potential error, which is why we continually work to improve our quality assurance measures.

While the total number of prescriptions we fill has steadily increased, the overall number of prescription errors has declined. We believe our continued enhancements to our systems and processes have helped to minimize the risk of misfill errors, which in 2007, amounted to a fraction of one percent.

If a prescription error does occur at a CVS/pharmacy or through our Caremark mail order services, it receives immediate attention by a pharmacy supervisor for follow-up, which typically includes:

- Contacting appropriate individuals affected by the event, such as patients, caregivers and prescribers.
- Submitting an incident report for analysis.
- Investigating the incident to determine how it occurred.
- Taking necessary corrective measures to prevent future occurrences; potentially including re-training staff, and where needed, modifying our operating procedures.
- Tracking and reporting errors internally and adhering to reporting requirements of state pharmacy boards.
- Supporting the establishment of national patient safety organizations to ensure patient safety and the reporting by pharmacies of de-identified incident data.

Handling the Return and Disposal of Pharmaceuticals

We have clear policies and procedures in place at all of our operations and adhere to all federal and state regulations regarding the handling of pharmaceutical and over-the-counter medicines returned for any reason by the customer. These products are never returned to existing inventory. Our policies require that all medications returned to the pharmacy be destroyed.

Returned medication is kept in a quarantined area until it is picked up, processed and sent to a third party to be destroyed. A similar process is used for the expired pharmaceuticals we have in stock. Colleagues who are responsible for handling returned and expired drugs are trained on our policies and procedures as part of their orientation.

Safe Consumer Disposal of Prescription Drugs

Proper consumer disposal of unused, unneeded and expired prescription drugs is a complex issue and an industry-wide concern. The pharmacy industry is starting to explore the feasibility of a take-back pharmaceutical program. Among the many complex factors to be sorted out are how to eliminate the risk of contamination and infection when drugs are returned from extremely sick patients, and how to store returned drugs in a secure location within the pharmacy. CVS Caremark is committed to working with our peers to develop an industry-wide solution.

In the meantime, we recommend that customers and patients follow the 2007 guidelines for the safe disposal of prescription drugs, which were issued by the White House Office of National Drug Control Policy, the Department of Health and Human Services, and the Environmental Protection Agency. Our specialty pharmacies provide patients with instructions and kits for proper and safe disposal of their injectable medicines and related supplies.

Making Pharmacy Services Affordable

As stated in our Mission, we are committed to making pharmacy services affordable throughout our enterprise.

Generics Offer Customers a Way to Control Costs

As health care costs continue to rise, generics have become an important way for patients and payors to achieve the same health outcomes while controlling costs. Research conducted by the Generic Pharmaceutical Association shows that consumers can save an average of 30 to 80 percent when their prescriptions are filled with generics rather than brand-name drugs. Across the company, we have a number of initiatives aimed at educating customers about the benefits of choosing generics, including our Caremark Count on Generics® Program.

We are a participating member with the Coalition for a Competitive Pharmaceutical Marketplace—an organization that is committed to improving consumer access to high-quality generic drugs; restoring a vigorous, competitive prescription drug market; and supporting legislation to eliminate legal barriers that prevent timely access to affordable, equally effective generic drugs.

PBM Practices

In 2007, Caremark Pharmacy Services received voluntary accreditation from URAC for meeting Pharmacy Benefit Management accreditation standards. These standards include clearly disclosing pricing methodologies and offering the services and protections consumers need as they deal with the complex world of pharmacy benefit management. In addition, CVS Caremark received certification from the HR Policy Association Pharmaceutical Coalition because of our commitment to meeting the Coalition's Transparency in Pharmaceutical Purchasing Solutions (TIPPS) standards. These standards provide employers with the most rigorous level of drug purchasing transparency available in the marketplace and require disclosure on:

- Acquisition cost for brand and generic drugs dispensed at retail pharmacies, delivered through mail service, and dispensed through specialty pharmacies.
- Disclosure and pass through of all revenue from drug manufacturers that relates to utilization under an employer's contract.
- Rigorous audit rights to ensure compliances with TIPPS standards.

Pharmaceuticals in Our Formulary

Trust and credibility are critical to the process of deciding which drugs to place on Caremark's approved drug lists. We have developed rigorous standards to maintain an independent, clinical-first approach. Our Pharmacy and Therapeutics (P&T) Committee is charged with conducting a clinical review of all drugs, including generics, that are selected for inclusion on – and deletion from – the Caremark Preferred/Primary Drug List. Our formulary list is typically updated every three months.

The decision to add or remove any drug is based first and foremost on the clinical merit of that product. A drug must be FDA approved (or exempt from FDA approval) to be considered for inclusion. The P&T Committee does not have access to, nor does it take into consideration, any information regarding rebates or negotiated discounts with pharmaceutical manufacturers or the net cost of the drug. The Committee does, however, consider drug utilization information in order to evaluate potential disruption to plan participants.

The P&T Committee members consist of a diverse cross-section of actively practicing physicians and pharmacists as well as a medical ethicist. Voting members of the P&T Committee may not be Caremark employees and they must disclose to the company any financial relationship or conflicts of interest with any pharmaceutical manufacturers.



Ensuring Product Quality and Safety

It is critically important to us that the products and pharmaceuticals we sell are safe, reliable and of high quality. Thus, we maintain product and pharmaceutical supplier standards and a robust product quality assurance, safety and testing program.

Pharmaceutical Supply Chain

In 2006, the National Association of Boards of Pharmacy accredited the CVS/pharmacy distribution center in Indiana as the first U.S. retail pharmacy to be a Verified Accredited Wholesale Distributor (VAWD). The VAWD program is designed to preserve the safety and integrity of the pharmaceutical supply chain by providing assurances that wholesale distribution facilities operate legitimately, and employ appropriate security and best practices for the distribution of prescription drugs.

During 2007, seven more CVS facilities received accreditation, as did one of our Caremark facilities. All suppliers are expected to adhere to the company's ethical standards, supplier requirements and business processes.

CVS Caremark only purchases drugs from pharmaceutical manufacturers or their authorized distributors. These suppliers must pass our stringent evaluation and approval process and adhere to our Vendor Quality Assurance policy.

Product Supply Chain Standards

We seek suppliers that share our values, our promise to deliver outstanding service and our commitment to uphold the highest standard and level of integrity. Our requirements and expectations are communicated to suppliers through our Supplier Code of Conduct. This Code requires all of our suppliers to:

- Comply with our product quality and safety standards and requirements.
- Adhere to standards that ensure a fair and safe workplace for their workers.
- Conduct business in accordance with established legal and ethical standards.



Quality Assurance, Safety and Testing Process

CVS/pharmacy follows a six-step process to ensure product quality and safety. We utilize a third-party company, Shuster, to provide the technical expertise and day-to-day management of our quality assurance testing program. Our safety process includes:

- New supplier facility audits
- New item testing
- First shipment testing
- Routine quality control
- Complaints and return testing
- Yearly distribution center and vendor quality compliance audits

CVS Brand Products

The manufacturing of CVS Brand products is contracted through third-party vendors and vendors are required to comply with all applicable laws and regulations. All CVS Brand products are evaluated annually and reviewed for their ingredients and performance.

CVS Brand personal care products are not tested on animals and do not use any ingredients in their formulations considered by the FDA to make a product “adulterated” such as: bithionol, mercury compounds, vinyl chloride, zirconium, chloroform, or unapproved coloring agents.

Imported Products

We provide a detailed supplier guide for imported products that outlines our policies and standards. Our partner, Bureau Veritas Consumer Products Services (BVCPS), manages our comprehensive testing program and monitors and ensures supplier compliance with all applicable legal regulations, social accountability standards and CVS policies. All imported products, in the form of final production samples, are tested prior to our purchase. Our factory audit program for importers is administered by BVCPS. In 2007, we enhanced our testing and product safety requirements for toys, juvenile products and seasonal items, following the industry recalls of children’s toys.

CVS/pharmacy Cosmetic Safety Policy

We at CVS/pharmacy are dedicated to improving the lives of those we serve through innovative and high-quality health and pharmacy services. That is why we are dedicated to staying abreast of new conclusive research related to cosmetic safety, to assessing findings that demonstrate a linkage between certain health and environmental risks and specific chemical ingredients used in beauty and personal care products, and to evaluating how these findings impact the products we sell.

Products for Healthier Living

Based on increasing consumer preferences for more natural, organic and environmentally friendly products, we expanded our product offerings in 2007 to include:

- More natural beauty care products
- Natural food products
- Additional wellness products and nutritional supplements
- Natural household cleaning products

Cosmetics and Personal Care Products

CVS/pharmacy continues to set the standard for the drug store beauty shopping experience with our Reinventing Beauty™ program and our 100 percent money back, beauty guarantee. We strive to provide our customers with innovative products from around the world that have been hand-selected by CVS/pharmacy and tested by Shuster and that meet or exceed regulatory standards.

We took a number of steps in 2007 to improve our beauty product offerings, including:

- Promoting and carrying more than 15 natural beauty brands, six of which meet European Union (EU) standards and seven that have signed the Compact for Safe Cosmetics including: Avalon® Natural Products, Burt's Bees®, Jason's® Natural, and Nature's Gate®.
- Carrying Boots branded products that meet the formulation standards set by the EU.
- Seeking ways to improve our branded and private label products by introducing new and better ingredients while eliminating ingredients of potential concern.
- Engaging the manufacturers of the cosmetic products we purchase to understand their processes for identifying and addressing product ingredients of potential concern.
- Dialoging with proponents of safe cosmetics about concerns over certain ingredients in beauty products.

We are committed to:

- Providing our customers with innovative products from around the world that have been hand-selected and tested by CVS/pharmacy health experts and that meet or exceed regulatory standards.
- Building relationships with partners who can help educate us on scientific research and developments related to ingredients of concern in cosmetic products.
- Continuously evaluating our CVS/pharmacy brand and private label products based on new research findings.
- Surveying the manufacturers of the cosmetic products we sell to understand their protocols for ensuring cosmetic safety.
- Developing action plans to replace ingredients of concern in our branded and private label products when safer alternatives are available and prompting similar action by our manufacturer partners.
- Educating consumers on our cosmetic safety standards and on product evaluation tools that will enable them to take an active role in maintaining good health.

In addition to these actions, CVS/pharmacy also began to develop a cosmetic safety policy in 2007, which was formally adopted in early 2008 (see above). The policy will serve as a foundational guide for the company going forward.

Moving Ahead

In 2008, CVS/pharmacy will launch a new private label personal care product line, Vickery & Clark™ Natural Apothecary, which uses only simple and natural ingredients. Vickery & Clarke™ Natural Apothecary will feature facial care, lip care and body care products as well as remedies, such as a detoxifying bath soak.

Managing Product Recalls

At CVS/pharmacy, we have an immediate response plan and process in place for effectively managing product integrity-related recalls, including:

- Notifying internal and external stakeholders.
- Removing products from the shelves at all of our stores, distribution centers and our Web site.
- Ensuring that technological solutions are activated to block accidental sales.
- Educating colleagues on recalls.
- When appropriate, posting in-store recall posters.
- Returning recalled items to the respective manufacturer for proper disposal.

Across the enterprise, we have similar, comprehensive procedures in place for managing pharmaceutical recalls and market withdrawals.





Fostering a Respectful and Supportive Work Environment

At CVS Caremark, we are committed to providing our employee colleagues with a respectful and supportive work environment; where collaboration and teamwork are valued, and colleagues are recognized and rewarded for their contributions. This commitment has enabled us to attract and retain talented individuals who, in turn, have contributed to the growth and success of CVS Caremark.

Our workplace initiatives and programs have helped to connect our colleagues to the company, led to high engagement scores and resulted in industry-leading retention rates. Throughout this section, we describe what we are specifically doing to make CVS Caremark a great place to work. This includes:

- Listening to our colleagues and responding to their feedback.
- Recruitment and retention programs.
- Offering competitive benefits.
- Providing training and career development.
- Recognizing our colleagues.
- Upholding our workplace policies and respecting colleagues' rights.
- Ensuring a healthy and safe work environment.
- Fostering an inclusive work environment that values diversity.

Employee Engagement Measurements 2007



74 percent of colleagues would recommend CVS as a place to work



68 percent of colleagues feel they are recognized for good work

Listening to Our Colleagues

We encourage our colleagues to share their feedback and we value their comments. Soliciting and acting on employee feedback is an important component of our culture of initiative and innovation and also contributes to employee engagement. We regularly solicit, both formally and informally, and act on employee feedback to improve the working environment and the customer experience. Various channels exist for colleagues to provide feedback, such as our annual Employee Engagement Survey and our Compliance and Integrity program.

Employee Engagement Survey

Since 1998, our Employee Engagement Survey has been used to solicit our colleagues' feedback about their overall workplace experience, as well as specific areas related to training, recognition and career advancement opportunities. The latest survey was conducted in March 2007. We heard from 115,000 of our store colleagues. The results of the 2007 survey found that, overall, our colleagues feel that they know what is expected of them, and that they are given the tools they need to perform their jobs well.

We look at a number of indicators when assessing employee engagement. We believe that the two most meaningful indicators of employee engagement are whether our colleagues feel recognized for their good work and their likelihood to recommend CVS Caremark as an employer.

After collecting their feedback, tailored survey results are provided to each division, department, region and store within the company. Each workgroup is then responsible for developing action plans to address the specific issues identified through the survey. We believe this process contributes to our colleagues' overall level of satisfaction and engagement and increases the connection they have to their individual unit, to each other and to our company.

Moving Ahead

In 2008, we plan to conduct our next Employee Engagement Survey, which will mark the first post-merger, company-wide survey.



Compliance and Integrity Program

As part of our Compliance and Integrity program, our colleagues can report their concerns by:

- Calling the confidential CVS Caremark Ethics Line and Caremark HELPLine, both of which are available 24 hours a day, seven days a week. Colleagues may choose to identify themselves or remain anonymous. A separate line is also available for those who are hearing impaired.
- Faxing, e-mailing or writing to the Office of Compliance and Integrity.

In 2007, we integrated the CVS Caremark process for reporting and following up on issues.

Moving Ahead

In 2008, we will consolidate the CVS Caremark Ethics Line and Caremark Ethics HELPLine into one hotline program, which will help to further streamline the reporting process.

Recruiting and Retaining our Colleagues

Our company has been a leader in creating public and private partnerships that enable us to recruit talented and diverse colleagues from the communities where our facilities are located. Our approach includes leveraging relationships to cultivate diverse talent, encouraging students to pursue a pharmacy career and attracting and retaining mature workers (aged 50 or older).

Workforce Initiatives

Through our workforce initiatives, we partner with government agencies, nonprofits and educational institutions to support our hiring needs and provide underserved populations with job opportunities. These initiatives include:

- CVS Regional Learning Centers
- Welfare to Work
- Pathways to Pharmacy
- Job Corps Pharmacy Technician Training Programs
- Workforce Development Partnership Programs

CVS Regional Learning Centers

One-Stop Career Centers, established by the federal government in 1998, provide assistance for job seekers. In 2000, CVS/pharmacy joined forces with a One-Stop Career Center in Washington, D.C. by adding a CVS Regional Learning Center inside the center – creating the first government/corporate One-Stop partnership in the nation. Since then we have opened eight more Regional Learning Centers in major cities, and installed mock CVS stores in each one, where training is delivered to both new and current colleagues. In 2007, 8,000 colleagues received training at our One-Stop Career Centers.

Welfare to Work

We began our Welfare-to-Work training program in 1996, and have since hired more than 60,000 people who had been on public assistance. In 2007, 7,500 people were hired through this program. More than 60 percent of colleagues hired since the program's inception are still actively employed, and a majority of them have been promoted more than once.

Pathways to Pharmacy

Pathways to Pharmacy, a nationwide internship program started by CVS/pharmacy in 2002, helps disadvantaged youth take a first step toward a pharmacy career. The program is aligned with America's Promise Alliance, community groups and schools. Program participants receive training, mentoring and support, including financial assistance for pharmacy school. Ultimately, the program creates opportunities for future employment with CVS Caremark.

Training and funding opportunities are also offered to our colleagues to help them become pharmacy technicians and pharmacists. Since the program's creation, it has expanded to nearly 40 cities and serves an estimated 1,800 high school students a year.

Plans are now underway to introduce one million students to pharmacy careers through the partnership with America's Promise Alliance. We anticipate that these job opportunities will generate up to \$4 million in wages by 2010.

Job Corps Pharmacy Technician Training Programs

Since 1999, CVS/pharmacy has teamed up with Job Corps to establish pharmacy technician training programs in a number of locations. Job Corps is a no-cost education and vocational training program, administered by the U.S. Department of Labor, that helps economically challenged young people get a better job and take charge of their lives.

Through these programs, CVS/pharmacy has trained more than 200 young people to become pharmacy technicians, and of those, 90 percent have passed the national certification test to become certified pharmacy technicians. Many of the participants are now working in CVS/pharmacy locations. In 2007, 50 young people participated in this program.

Other Recruiting Initiatives – Pharmacists and Pharmacy Technicians

In addition to our workforce initiatives described above, CVS Caremark has a number of other programs aimed at meeting our pharmacy staffing needs, and at the same time, providing opportunities for individuals interested in pursuing a pharmacy career.

Pharmacy Interns

Almost four years ago, CVS/pharmacy took a basic intern program and upgraded it to meet the changing demands facing pharmacists. The program provides pharmacy students with a support network and matches them with the right mentors and preceptors. Among our pharmacy interns, an average of 75 percent become CVS Caremark pharmacists after they graduate.

CVS Career Prescriptions for Success (CAPS)

The CVS Career Prescriptions for Success (CAPS) is a program designed to build interest in pharmacy jobs among Detroit residents, especially in areas where unemployment is high. Participants have the opportunity to apprentice as pharmacy associates or technicians. The program also provides assistance and training to current workers to help them advance their careers.



Photo Credit: Darnell Jones

As a result of the CVS CAPS program, a number of successful apprentices have emerged, including Teresa. Teresa learned of the program through Goodwill Industries. The mother of two young sons, Teresa was looking for a challenging job in a new field with advancement opportunities. She joined CVS/pharmacy in August 2006. Since then, she has excelled as a Pharmacy Service Associate and is now training to become an Assistant Manager.

Mature Workers

At our company, mature workers are an important asset to our workforce and to our business. They contribute to our customers' in-store experience, help to set an example for our younger workforce and serve as mentors to their less experienced colleagues.

Through our mature worker partnerships and programs, we have increased the number of colleagues who are 50 or older. Today, mature workers represent approximately 18 percent of our workforce. Some of our mature workers have been with the company for years, while others have joined the company as a second career – sometimes choosing to work just part-time.

On March 8, 2007, we received the 2007 American Society on Aging's Business and Aging Award, in recognition of our ongoing commitment to recruit, train and retain older workers.

Snowbird Program

We offer a flexible snowbird program, which allows our colleagues to temporarily transfer to a different CVS/pharmacy location on a seasonal basis. In 2007, more than 1,000 colleagues, most of them mature workers, were "snowbird employees."

Providing Benefits to Our Colleagues

Our company is committed to the health and financial security of our colleagues and offers a comprehensive benefit package, including personalized health care and investment options. Wages paid reflect the knowledge and experience required for a specific job.

Our part-time colleagues, those working fewer than 30 hours per week, are eligible for health benefits at a nominal cost. Eligible full-time colleagues, those working an average of 30 hours per week or more, are offered a full benefits package, which includes 401(k) and Employee Stock Ownership plan; comprehensive medical and dental coverage with premiums payable on a pre-tax basis, including prescription coverage; flexible spending accounts; tuition reimbursement; and employee discount.

Wellness Programs

At the beginning of 2005, we implemented a three-year comprehensive strategy with the intention of making wellness a central part of our company culture. Our strategy included a number of specific initiatives that were made available to all colleagues. Among them were: CVS Healthy Weight, which includes discounts and subsidies for weight loss programs; CVS Healthy & SmokeFree, designed to help colleagues with smoking cessation; and a program for new and expectant moms, "Healthy Mother. Healthy Baby."

We also enhanced internal communications to promote wellness resources to our colleagues. For instance, we launched an internal newsletter, "Your Health. Your Choice." It contains health tips, recipes and information on the company's wellness programs. CVS Health Care Hub, an online resource, was also created for colleagues and family members to help them choose the most appropriate health plan and access services.

We have been very encouraged by the initial results of these initiatives, which by the end of 2007 included the following for our CVS/pharmacy colleagues:

- 19 percent increase in the number of colleagues who are exercising
- 28 percent increase in the number of colleagues who understand basic fundamentals of healthy eating and good nutrition
- 20 percent increase in the number of colleagues who understand the basic fundamentals of stress management
- 5 percent decrease in the number of colleagues who smoke

Moving Ahead

Supporting our colleagues and providing a healthy workplace will continue to be a focus. In 2008, we plan to:

- Complete the expansion of our Wellness Programs throughout the enterprise.
- Re-design and re-communicate the Healthy & SmokeFree program to help further decrease the number of colleagues who smoke.
- Remove cost barriers to the Healthy Weight program.
- Expand our participation in Shape Up Rhode Island, a statewide exercise and weight loss challenge, to over 100 locations nationwide.
- Implement new initiatives, such as a health advocacy pilot and a stress management program.

Training and Career Development

All of our colleagues receive training – from our pharmacy staff to our store colleagues, as well as our colleagues in other divisions of the company. Nearly 50 training and development programs exist across the company, including our Emerging Leaders Program. Hiring from within is another way we help our colleagues advance their careers.

Emerging Leaders Program

First introduced six years ago, the Emerging Leaders Program is aimed at developing the skills of high-performing Store Managers, Pharmacists and Pharmacy Supervisors, as well as other field managers, who are identified as potential candidates for promotion. Participants attend development sessions where they receive management training. In addition, participants are provided on-the-job training opportunities to further enhance their leadership skills. Throughout this process they have access to coaching and development experiences to support their training.

Most colleagues who are promoted to field management positions are graduates of the Emerging Leaders Program. In 2007, the Emerging Leaders Program prepared more than 470 colleagues for District Manager and Pharmacy Supervisor roles.

Hiring from Within

When filling new or vacant positions within the company, we strive to look internally first so our colleagues have opportunities to progress their careers. In addition, colleagues can work on their own career development options through CVSLEARNet, an online resource that helps them access, track and manage their career development at the company.

Recognizing Our Colleagues

We have created a number of recognition programs to both reward and inspire our colleagues. Our recognition programs range from the Chairman's Award for exceptional service to in-store "instant recognitions" for a job well done – and many others in between.

Paragon Awards

On an annual basis, we recognize and celebrate our company's best and brightest with the Paragon Award. This award, the highest honor a colleague can achieve in our organization, is reserved for those who make remarkable contributions to our company, customers and communities.

In September 2007, nine colleagues were recognized – two from Caremark, one from MinuteClinic and six from CVS/pharmacy – as our 2007 National Paragons.

Workplace Policies and Respecting Colleagues' Rights

Our workplace policies provide for equal employment opportunities, and strictly prohibit discrimination or harassment on the basis of age, religion, gender, race, color, sexual orientation, national origin, disability, or veteran status.

Health and Safety

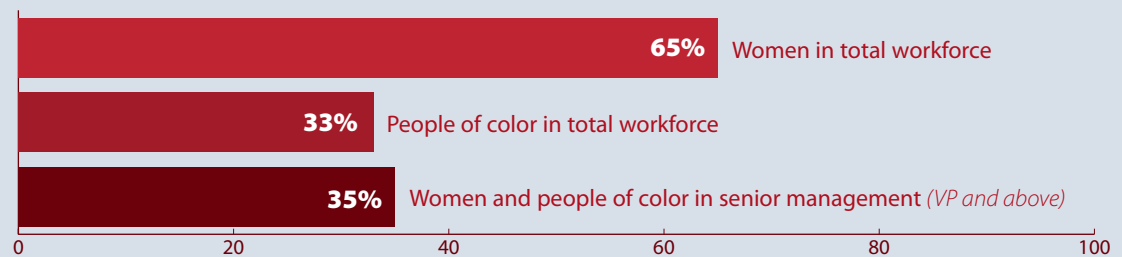
We are committed to creating a safe environment for our associates and customers by reducing the risk of injuries. Safety programs for our facilities, including stores, mail order facilities and distribution network sites, are intended to meet or exceed the regulatory standards wherever we do business.

With the merger of CVS and Caremark in 2007, the safety and health departments of both organizations were consolidated to form a unified approach to safety for the entire corporation. This new organization reviewed the approach to safety for both the retail and the PBM business units and is working towards integrating the best practices that are present in each company's safety program. In addition, OSHA's Voluntary Safety Program Guidelines are being used to develop our current and long range strategy to improve our safety management processes.

Diversity

We believe a commitment to diversity means being inclusive of all people regardless of age, gender, family status, race, ethnicity, religion, disability, sexual orientation, appearance, thought or mannerisms. Collectively, our individual differences help to make us a stronger company and enable us to meet and serve the needs of our diverse customer base.

Our diversity strategy is focused on three areas: diverse talent, inclusive environment and community partners.



Diversity Recruiting

Our company embraces the kind of diversity that is reflected in the way our pharmacists represent the communities they serve. In fact, we actively recruit pharmacy students from institutions with large minority populations, such as Howard University, Florida A&M, Xavier, Texas Southern University and Hampton University. We also continually test partnerships with recruitment agencies that specialize in sourcing diverse talent.

Inclusive Workplace

In 2001, we formed a Diversity Council to help guide our efforts. Today, the Council's focus goes beyond workplace diversity to include customer and supplier diversity initiatives. The key workplace initiatives we focused on in 2007 were diversity training, women's leadership development, driving awareness through field-based diversity leadership teams, and establishing networking groups.

Diversity Training

We have been working to integrate diversity components into more company training programs. In 2007, we:

- Re-launched diversity training at the Customer Support Center, as well as continued diversity training in the field.
- Launched diversity training for managers in Caremark's Customer Care division.
- Integrated diversity training into the Emerging Leaders Program to provide managers with the skills necessary to manage a diverse workforce.

Networking Groups

Since 2006, we have been expanding the number and reach of our networking groups. As of the end of 2007, there were ten networking groups, including the CVS Latino Networking Group and a group called L.I.N.C. that serves as a supporting organization for all company networking groups.

These networking groups enable colleagues with common interests and backgrounds to meet regularly, explore opportunities for professional growth, serve as mentors and celebrate the contributions they are making to the company and to the communities where they live and work.

Moving Ahead

The priorities our Diversity Council has set for 2008 include:

- Incorporating diversity training as part of the customer service skills training for our hourly colleagues at the store level.
- Exploring work-life balance in our retail stores.
- Addressing multi-cultural language issues, primarily as they relate to our customers.
- Increasing opportunities for access and representation of diverse groups into the company.
- Focusing on retention and improved utilization of colleagues.
- Offering more development opportunities to our colleagues so they have the skills to better manage a diverse workforce.



Community Working in it. Working for it.

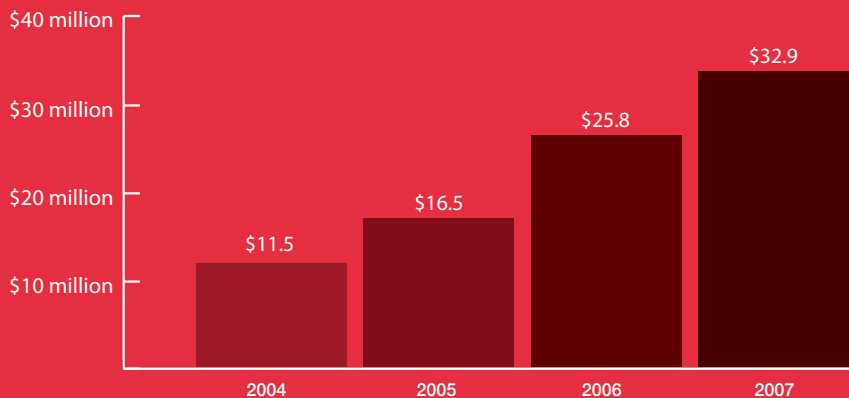
At CVS Caremark, giving back to our communities is a deeply ingrained value that has defined our culture since the company's founding in the 1960s. Our Vision to improve the quality of human life inspires us to extend our support and try to make a difference.

Our contributions, including grants made through the CVS Caremark Charitable Trust, corporate giving, employee volunteerism and in-kind donations, touch people from all walks of life. Throughout this section, we discuss our approach to:

- Helping children with disabilities through CVS Caremark All Kids Can
- Involving our colleagues
- The CVS Caremark Charitable Trust
- Charitable sporting events
- CVS Caremark community giving
- In-kind donations
- Community engagement

The combined value of our community relations efforts that benefited local communities totaled \$32.9 million in 2007.

History of Giving 2004-2007



CVS Caremark All Kids Can – Helping Children With Disabilities

Our giving is highly focused on improving the lives of children with disabilities and giving them an opportunity to learn, play and succeed in life. By leveraging all aspects of our community relations, including cash grants, in-kind contributions, sponsorships and fundraising endeavors, as well as our colleagues' charitable giving and volunteerism, we are able to have more impact and deliver greater benefits to children with disabilities, from birth to age 21.

We have translated our commitment to help children with disabilities into a companywide initiative, formally referred to as CVS Caremark All Kids Can. Launched in 2006, CVS Caremark All Kids Can, a signature program of the CVS Caremark Charitable Trust and CVS Caremark, is a five-year, \$25 million commitment to support children with disabilities. The goals of the program are threefold: to raise awareness in schools and local communities about the importance of inclusion; create opportunities for physical activity and play; and provide access to medical rehabilitation and related services.

We are advancing our goals through partnerships with local and national nonprofit organizations, including:

Easter Seals

Easter Seals, a leading nonprofit provider of services for individuals with autism, developmental disabilities, physical and mental disabilities and other special needs, was selected as a CVS Caremark All Kids Can national partner early in 2006. Since then, we have contributed more than \$1.75 million to Easter Seals.

In 2007, the CVS Caremark Charitable Trust awarded \$350,000 in CVS Caremark All Kids Can program grants to 10 Easter Seals affiliates. Two of the grant recipients included:

- Easter Seals/Southwest Human Development in Phoenix, which received a grant to create Arizona's most comprehensive multi-disciplinary assessment team. The team is focused on improving outcomes for young children who have problems with feeding and eating. More than 50 families have been served by this team since August 2007.
- Easter Seals Southern California received a grant to establish the CVS Caremark All Kids Can Camp Scholarship Fund. This fund helps children with disabilities and special needs realize their dreams of attending summer camp.



Boundless™ Playgrounds

Boundless Playgrounds is the first national nonprofit to create barrier-free playgrounds for all children to enjoy. In 2007, CVS Caremark pledged \$1.1 million to Boundless Playgrounds to help build inclusive playgrounds across the country, including \$750,000 for new Boundless playgrounds to be constructed in Boston, Dallas and Los Angeles in 2008. In addition, the Trust provided \$290,000 for more than 10 projects under development in a dozen communities to create playgrounds where children of all abilities can play together.

To help Boundless Playgrounds achieve its goal of initiating the building of 100 playgrounds in 2007, the CVS Caremark Charitable Trust launched the “School’s Out! Go Play” scholarship program. In 2007, \$1,000 scholarships were awarded to dozens of community groups to provide them with the tools and technical guidance to build inclusive playgrounds.

VSA Arts Pilot Projects

VSA arts is a national nonprofit that promotes access to the arts for all people. Based on a mutual commitment to support children with disabilities, CVS Caremark All Kids Can began a partnership with VSA arts. In 2007, we worked together on three projects in Washington D.C., Boston and New York, encouraging youth to express themselves through their original artwork and then making it possible for their artwork to be displayed at local museums, festivals and CVS/pharmacy stores. The partnership also gave our colleagues the chance to volunteer and participate in community-based programs in the arts. This is a partnership we plan to expand in 2008.

In addition to these ongoing relationships, in 2007, CVS Caremark All Kids Can partnered with Scholastic, publisher of educational materials for school-aged children, to distribute free teaching guides and take-home activities. The materials were designed to inspire students to discover their own special abilities and qualities, and to appreciate the unique qualities of others. In November 2007, 10,000 kits were sent to second-grade classrooms in nine major U.S. cities.

CVS Caremark All Kids Can Advisory Council

To further advance our signature program, we recently brought together a number of national educators and disability experts to form the CVS Caremark All Kids Can Advisory Council. With the Council’s guidance and input, we are forging ahead, working to have a greater impact on the lives of children with disabilities and their families through education, health care and communications.



“CVS Caremark has been a critical Easter Seals partner for more than a decade. The CVS Caremark All Kids Can Program represents corporate social responsibility at its best. We applaud CVS Caremark for its commitment to children with disabilities and remain grateful for the impact we are able to make in the lives of these children through CVS Caremark’s support.”

-James E. Williams, Jr., President and Chief Executive Officer, Easter Seals

Involving Our Colleagues

Our colleagues have shown a strong desire to help their communities, and CVS Caremark supports their efforts.

Since we first launched All Kids Can in 2006, our colleagues have been embracing opportunities to learn more and actively participate in this program. In 2007, our colleagues volunteered nearly 12,000 hours for community service projects. To inspire even more employee volunteerism, we recently introduced and enhanced several initiatives, including:

- Launching CVS Caremark Community Crew, our newest volunteer initiative that includes a browser-based volunteer Web site designed to encourage colleague volunteerism. The site allows colleagues to search and register for local volunteer opportunities, log their volunteer hours and provide real-time feedback on volunteer opportunities. The site also enables nonprofit agencies to register and profile their organizations.
- Engaging our colleagues in CVS Caremark-funded projects and programs in their local communities, such as Boundless Playgrounds projects, VSA arts programs and Special Olympics programs.
- Utilizing competitions and awards to encourage our colleagues to participate in company-sponsored Easter Seals Walks, which help to raise awareness and funds for children with disabilities. In 2007, CVS Caremark colleagues formed teams to raise money for their local Easter Seals affiliates through car washes, bake sales, community events, community partnerships and other efforts. Not only did we experience an increase in the number of markets participating in 2007, the number of CVS Caremark colleagues who volunteered doubled from the previous year, with approximately 4,100 of our colleagues participating. In addition, the funds generated to support local Easter Seals affiliates grew to \$725,000 in 2007, nearly three times the amount raised in 2006. These funds are providing needed resources to many children living with disabilities.
- Providing annual grants to designated nonprofits in recognition of our colleagues who volunteer a minimum number of hours for the particular nonprofit – either on an individual basis or as part of a team with other CVS Caremark colleagues. The CVS Caremark Volunteer Challenge Grants program is designed to recognize our colleagues who volunteer their time to improve the long-term health of individuals and communities; help to strengthen the skills of the future workforce; and contribute to making positive changes that improve the quality of life in our communities.
- Launching www.cvsallkidscan.com, a new Web site, which is a central gateway for learning more about the program’s priorities, children with disabilities and all the ways individuals can participate and help.



Our Colleagues Making a Difference in Their Stores and Their Communities

An enterprising group of CVS/pharmacy colleagues from 138 stores in Virginia raised more than \$75,000 for their local Easter Seals "Walk With Me" event. The money raised went to support the Virginia Camp Easter Seals, which has a 50-year history of providing quality camping programs geared for children with physical and cognitive disabilities.

Moving Forward

Engaging our colleagues in CVS Caremark All Kids Can and encouraging them to volunteer their time will continue to be a priority. In 2008, we plan to:

- Provide additional volunteer opportunities for our CVS Caremark colleagues.
- Roll out a comprehensive CVS Caremark All Kids Can Toolkit, which will provide helpful information on how to identify and initiate projects; including policies, tips and tools; and suggestions for reaching out to and working with local groups.
- Improve our systems so we can better track and quantify the number of hours our colleagues volunteer. In 2008, we aim to have 10,000 colleagues registered and track their volunteer hours on our CVS Caremark Community Crew Web site.
- Increase volunteer opportunities made available through our growing family of grantees.

The CVS Caremark Charitable Trust

The CVS Caremark Charitable Trust, a private foundation, receives all of its funding from the company. The Charitable Trust uses these funds to make grants directly to nonprofit organizations that are primarily focused on serving children with disabilities and help to advance the vision of our All Kids Can program. Some additional Trust grants are provided to: organizations that serve the health care needs of various populations, not just children; pharmacy schools; scholarship programs; and the CVS Caremark Volunteer Challenge Grant Program. In 2007, the CVS Charitable Trust awarded more than \$260,000 in Volunteer Challenge Grants to 267 nonprofit organizations across the United States.

Since 2001, the Trust has awarded grants totaling more than \$21.5 million to nearly 325 organizations. Of this, \$5.5 million was contributed in 2007 alone. Among the 2007 grant recipients were the Braille Institute of America in Los Angeles, Partners for Youth with Disabilities in Boston, and Space Coast Early Intervention Center in Melbourne, FL.

In addition to these and other grantees, the CVS Caremark Charitable Trust committed to a five-year, \$2.5 million grant to the Rhode Island Quality Institute, which began in 2007. This organization works collaboratively with various constituencies in Rhode Island, innovating solutions that can help to improve the overall quality of health care for state residents.



PGA Pros and CVS Caremark Charity Classic hosts Billy Andrade and Brad Faxon joined Tom Ryan to present \$1.7 million in funds raised at the 2007 CVS Caremark Charity Classic and announce a total of \$10 million in funds raised since 1999.

Charitable Sporting Events

CVS Caremark sponsors charitable sporting events as a way to raise awareness and funds for local nonprofit organizations that support children, families, education and wellness.

CVS Caremark Charity Classic

The CVS Caremark Charity Classic, which benefits nonprofits dedicated to children and families, is one of the most prestigious and largest charitable sporting events in New England. CVS Caremark is the title sponsor of the event, held annually in Barrington, R.I.

Since the inaugural event in 1999, the CVS Caremark Charity Classic has helped raise and distribute more than \$10 million in charitable donations to various nonprofit organizations, including \$1.7 million raised in 2007. Among the recipients of funds raised by the 2007 CVS Caremark Charity Classic were the Make A Wish Foundation of Rhode Island, Teaberry Knoll Academy of Therapeutic Riding, Meeting Street, San Miguel School, American Heart Association and American Red Cross.

CVS Caremark Downtown 5K

The CVS Caremark Downtown 5K is the largest road race event in Rhode Island. Participants of all levels, abilities and ages come to Providence in September of each year to compete for prizes and have fun. The CVS Caremark Downtown 5K raised a record-breaking \$160,000 in 2007. Recipients of funds in 2007 ranged from All Children's Theater and Best Buddies of Rhode Island, to Perkins School for the Blind. The 2007 race, for which more than 7,000 registered runners, walkers and wheelchair athletes turned out, brought the total tally of funds raised during CVS Caremark's eight-year sponsorship to \$800,000.

CVS Caremark Community Giving

Beyond grants made through the CVS Caremark Charitable Trust, the company makes cash contributions to community organizations as well. In 2007, CVS Caremark's community giving totaled nearly \$9 million. A portion of these contributions went to organizations that serve children with disabilities as part of CVS Caremark All Kids Can. Other contributions were made in support of health care resources, with an emphasis on services for the uninsured. CVS Caremark also provided support to various medical and research institutions, as well as community-based organizations that deliver services to underserved populations.

St. Jude Thanks and Giving Campaign

St. Jude Children's Research Hospital® is a pediatric treatment and research facility that has changed the way the world treats children with cancer and other catastrophic diseases.

CVS/pharmacy participated in our fourth year of the St. Jude Children's Research Hospital Thanks and Giving campaign, an in-store point-of-sale fundraising program. During this 10-day campaign extending through the Thanksgiving season, CVS/pharmacy colleagues contributed and encouraged customers to add \$1 to their purchases at the register in support of St. Jude's life-saving research. Since 2004, nearly \$8 million has been raised for St. Jude, including \$2.7 million in 2007.

Beginning in 2007, the dollars raised by our colleagues are being earmarked for a special purpose – the CVS Caremark All Kids Can Rehabilitation Services Department at St. Jude. In April 2007, we announced a five-year, \$16 million commitment to fund this facility, which will provide cancer patients with a number of services, including audiology, occupational, physical and speech therapies.

ALS Therapy Alliance "Researching a Cure"

Since 2002, CVS/pharmacy has supported the ALS Therapy Alliance's research efforts to find a cure and treatment for Amyotrophic Lateral Sclerosis (ALS), also known as Lou Gehrig's disease, a devastating disorder.

In 2007, CVS/pharmacy teamed up with the ALS Therapy Alliance for the sixth straight year to raise money in the fight against ALS. This year's ALS Therapy Alliance "Researching a Cure" in-store campaign, which ran from June 2 to June 23, 2007, was a huge success, raising \$2.6 million and exceeding our company goal. Much of the success was due to the enthusiasm of our store colleagues, who inspired many of our customers to support the cause. Since launching the annual campaign in 2002, more than \$10 million has been raised.

CVS Caremark Community Grants Program

The CVS Caremark Community Grants program awards funds to nonprofit organizations for programs targeting children with disabilities, focusing on health and rehabilitation services, public schools promoting a greater level of inclusion in student activities and extracurricular programs, and initiatives that give greater access to physical movement and play.

Additionally, some contributions are made to organizations that provide uninsured individuals with needed care, in particular programs where the care received is of higher quality and delivered by providers who participate in accountable community health care programs.

Among the CVS Caremark Community Grants made in 2007 were American Association of Adapted Sports Programs, Inc., Children's Theraplay Foundation, Inc. and Aspergers, Autism, Information & Recreation Organization. In 2007, we provided more than 500 CVS Caremark Community Grants, totaling more than \$700,000.



CVS Samaritan Vans

For nearly 30 years, the sight of a CVS Samaritan Van on the highway has been a welcome relief to motorists in distress. Whether it's dealing with a flat tire or dead battery, or attending to an unexpected medical need, CVS Samaritan Vans annually respond to an average of 61,000 incidents, while covering more than 600,000 miles on the major freeways of Chicago, Charlotte, Cincinnati, Cleveland, Boston, Detroit, Indianapolis, Providence and Washington, D.C. The company underwrites the annual cost of the CVS Samaritan Van program, which totaled nearly \$2 million in 2007.

Some 7,000 "thank you" letters and e-mails were received this past year from people who were assisted by a CVS Samaritan Van.



In-kind Donations

CVS Caremark makes in-kind donations of products, services and other resources. In 2007, the total market value of product donations was \$8 million.

Aiding Fire Relief Efforts in California

In October 2007, a series of wildfires burned across Southern California, destroying homes, displacing families and impacting thousands of people.

Out of deep concern for our communities, colleagues and customers who were impacted by these devastating fires, we donated more than \$300,000 in products and supplies to support relief efforts. As part of this response, we established an emergency prescription delivery service and provided health care and personal items to those affected by the fires.

Our Southern California field management and store teams worked tirelessly with local authorities to ensure that our customers' basic needs were met in the days following the fires.





Community Engagement

At the end of 2007, there were CVS Caremark locations in 44 states and the District of Columbia – some in urban areas, others in smaller communities. We recognize the need to be adaptable to all types of situations. We are continually working to be responsive to our customers' needs, and to understand their preferences for convenience and location. These considerations are balanced with our respect for the local communities where we have a presence. From selecting sites and designing the layout of our stores, to establishing hours of operation and the services we provide, our goal is to deliver excellent customer service, and at the same time, be an asset to the community.

Our real estate strategy is twofold: opening new stores in order to serve our growing customer base, and moving some existing stores to more convenient locations. Our goal is to make our stores inviting and easy to shop. Existing stores are renovated, on average, at least once every five years, to keep them fresh and appealing for customers and the community. We also are sensitive to the unique cultures of individual communities. In some cases, the external signage at a CVS/pharmacy reflects the languages spoken in that locale.

Occasionally, CVS/pharmacy entry into some areas raises concerns among local residents. In these instances, we strive to work with local administrations and residents on a suitable solution that will both be agreeable to the community and enable us to serve our customers.

CVS Caremark Environmental Commitment Statement

As a company dedicated to improving the lives of those we serve through innovative and high-quality health and pharmacy services, we understand the need for a healthy environment. We are committed to fostering a culture of environmental responsibility within our company and throughout our supply chain. As part of this commitment, we will establish goals, track our performance and report our progress to stakeholders. To balance our environmental and fiscal responsibilities, we will seek opportunities that deliver both business and social returns.



In all aspects of our business, we will strive to:

- Utilize natural resources as efficiently as possible.
- Minimize our carbon footprint throughout our supply chain and enterprise.
- Reduce our waste streams by leveraging opportunities to reduce, reuse and recycle materials.
- Consider the life cycle impacts of our products and work with our suppliers to do the same.
- Heighten consumer awareness of healthy and sustainable products.
- Engage our colleagues in efforts to minimize the company's environmental footprint.

Environmental Management

At CVS Caremark, we strive to improve the quality of human life. Inherent in our Vision is the understanding that the health of people and our planet are inextricably intertwined. CVS Caremark is committed to doing our part to conserve the use of natural resources and help protect the environment.

During 2007, we began work on an environmental commitment statement and formally adopted it in early 2008 (see above). In the meantime, we forged ahead, implementing and advancing many green initiatives, enabling us to achieve greater efficiencies that deliver both business and environmental benefits. As we move forward, our environmental commitment statement will provide the foundation and focus for our future initiatives.

Fostering a Spirit of Collaboration

Some of our environmental initiatives in 2007 emerged through a collaborative process. We came together, both internally and externally, to deepen our knowledge of best practices and exchange ideas for managing our environmental footprint.

The Environmental Leadership Council

We began efforts in 2007 to create an Environmental Leadership Council. The Environmental Leadership Council, which was formally launched in early 2008, is charged with developing and implementing the company's environmental strategy as well as establishing short- and long-term priorities. It will provide ongoing progress reports to the CEO and senior leadership on key initiatives and measurable outcomes, and on recommended future actions to advance the company's environmental commitment.

Total Energy Use in 2007

2007 Total
Electricity Usage



Data represents total electricity consumption (in kilowatts) at our CVS distribution centers, stores and administrative locations.

2007 Total Natural Gas



Data represents total natural gas consumption (in therms) at CVS distribution centers, stores and administrative locations.

2007 Total
Transportation
Diesel Fuel
Consumption



Data represents total transportation diesel fuel consumption for CVS Private Fleet.

2007 Environmental Initiatives

CVS's 2006 acquisitions and 2007 merger with Caremark not only expanded the scope of the company's operations, but our environmental footprint as well. We can now begin to assess our enterprise-wide footprint, develop an environmental strategy and implementation plan, and establish future goals.

In the following pages, we outline some of the measures implemented and advanced at CVS in 2007, as well as provide baseline data for our key environmental metrics.*

Specific topics included in this section include:

- Energy Management
- Waste Management
- Hazardous Waste Management

Energy Management

As energy costs continue to rise, using energy more efficiently has become a business priority. By using less energy, we reduce costs and decrease the amount of carbon dioxide (CO₂) emitted.

Our 2007 energy management efforts were aimed at achieving greater efficiencies and reducing our consumption through improvements in:

- Lighting
- Sustainable building design and construction
- Transportation and distribution network
- Data center operations

* This report does not include environmental data related to Caremark's operations; however, some examples of initiatives undertaken by Caremark are described. In subsequent reports we plan to provide enterprise-wide data for our key environmental metrics.



Spotlight on Vero Beach and Ennis Distribution Centers

We have incorporated several components of the LEED Green Building Rating System® into our distribution center in Vero Beach, Fla. This includes a cutting edge, integrated lighting system with T-8 fluorescent bulbs, more than 200 skylights, and photo-sensor monitors. We installed a state-of-the-art chilled water system to more efficiently control the climate within this 349,000 square foot facility. Since it opened in 2006, our Vero Beach distribution center has consumed more than 25 percent less energy for lighting and HVAC than traditional distribution facilities with similar capacity.

In 2004, we opened a state-of-the-art distribution center in Ennis, Texas, that was the first facility of its kind in North America. The facility is half the size of a conventional distribution center and it uses more than 20 percent less energy for lighting and HVAC and requires one-third fewer people to run it. Its storage and retrieval systems are capable of servicing the same volume and number of stores as a conventional facility twice its size.

Making Improvements to our Lighting

We have made a significant effort to reduce energy consumption within our distribution network by managing our usage during peak power demands. In addition, we have begun educating our facility managers and engineers on energy efficiency and the importance of conservation.

An internal energy audit in our Woonsocket, R.I., distribution center concluded that we could save considerable energy by installing a combination of skylights and T-8 HO lighting. The lighting is controlled by light sensors and the skylights decrease our reliance on internal lighting. This concept has also been adopted in our facility in Vero Beach, Fla. We have completely retrofitted all lighting in the Woonsocket and North Smithfield distribution centers from High Pressure Sodium to T-8 HO fluorescent with light and motion sensors. This lighting concept will continue to be implemented in the distribution network. In 2008, we plan to retrofit the Lumberton, N.J. and Ennis, Texas facilities.

Sustainable Building Design and Construction

For the past several years, our teams have been educating themselves and participating in LEED (Leadership in Energy and Environmental Design) training programs to learn about the latest developments in clean and efficient building materials and technologies. We then seek to incorporate LEED standards and ENERGY STAR principles in our design and construction of new CVS/pharmacy stores and other company facilities. Our intent is to ensure the footprints and ongoing operations of new facilities are sustainable and appropriate for each local environment.

Among others elements, our new store design process includes aligning sites with existing public transportation points, installing bike racks, planting native vegetation and providing recycling containers for customers and store use.

Sustainability considerations are also behind many of the fixtures and materials selected for new stores – from Interface carpet squares and other flexible flooring products that can be recycled, to improved roofing materials that control reflective and absorbed heat loads. In addition, we strive to utilize skylights, energy efficient T-8 lamps, light and motion sensors, and other technologies in our new distribution centers as well as our stores. One example was the installation of innovative dock-sealing equipment to improve HVAC efficiency at some of our distribution centers. And lastly, we try to be environmentally conscious when remodeling or retrofitting an existing store by incorporating some of these or other green measures, when appropriate.

Thus far, we have not sought the U.S. Green Building Council's LEED certification for any of our new construction projects, although we may consider doing so in the future.



11.2% improvement

Optimizing Mileage Efficiency

In 2007, we transported more products to a greater number of stores than the prior year, resulting in a 10.1 percent increase in total cubic volume shipped. But because of our efforts to streamline our distribution network and transportation system, we decreased total miles driven in 2007 by 2.2 percent. We also improved our average cubic feet per trailer by 0.4 percent. On average, our trucks traveled 298 miles to deliver 2,000 cubic feet of product, compared to 335 miles in 2006. We essentially traveled shorter distances to deliver goods to our stores, resulting in an overall 11.2 percent improvement in our mileage efficiency.

Streamlining Transportation and Distribution

CVS Caremark is concerned about fuel consumption from both a cost and an environmental perspective. We are striving to improve fuel economy within our distribution network by focusing on:

- Maintaining a fleet of modern, fuel-efficient vehicles.
- Having an aggressive refresh program of both tractors and trailers.
- Insisting our drivers reduce their speed.
- Working with our truck vendor on other possible environmentally-conscious options.
- Using new electric-powered, refrigerated trailers and forklifts.
- Enforcing a no-idling policy at our distribution centers to reduce noise and air pollution.

In 2007, our Logistics group completed two major transportation initiatives that improved efficiencies and reduced the total miles driven to deliver goods to our stores.

The first initiative involved realigning the distribution centers for our core stores in Arizona, Nevada and California and servicing them out of one distribution center in California instead of two in Texas. The second initiative involved implementing new transportation routing software at all of our distribution centers to improve how we load and route our deliveries to stores.

Greening Our Data Centers

CVS Caremark is taking a variety of cost-effective steps to green our data centers, including incorporating more compact, flexible, energy efficient equipment and streamlining operations. To date, we have consolidated our servers, replaced outdated equipment, installed capacitors for utility company feeds and implemented new HVAC units.

Our process for recycling technology involves contracting with a vendor to properly dispose of equipment that has reached the end of its useful life. This includes desktop computers, laptops, monitors, printers and servers.

Woonsocket and North Smithfield Facility Lighting Retrofit Project

In 2006, we retrofitted the lighting in our Woonsocket and North Smithfield, R.I., distribution centers. This project involved replacing HPS lighting with high-output T-8 fluorescent lighting in storage, pack and office areas. Occupancy, motion and light sensors were also installed. Based on an estimated .12 kilowatt-hour, this translates into a cost savings of approximately \$128,000 per year in energy.

What does this mean for the environment?



In the year ahead, we will continue to identify opportunities to conserve energy and streamline operations at our data centers. We are planning to:

- Swap out older servers with new chip technology and more energy efficient power supplies.
- Replace computer room HVAC units with more efficient motors.
- Retrofit the lighting in our Shea data center in Scottsdale, Ariz., switching from T12 to T5 lamps and ballasts.
- Install motion detectors and a building management system to turn off lights when not needed.

Waste Management

Our company has a 30-year legacy of recycling within our distribution network. Our commitment to three core principles—Reduce, Reuse and Recycle—is at the heart of our approach to minimizing the amount of landfill waste we generate. We are continually making improvements in this area and finding new ways to minimize our waste stream.

A Commitment to Reduce

We have implemented a number of measures aimed at reducing waste. Presently, we strive to deliver all goods supplied to our stores in reusable plastic totes, reducing the need for corrugated transit packaging. Products sold through CVS.com are shipped directly to our customers using minimal packing materials.

Our logistics team works closely with our vendors to reduce unnecessary packaging when materials are shipped to our distribution centers. In 2007, we adopted a “just say no to excess inner pack” policy and asked our suppliers to eliminate excess overwrap, shrink wrap and inner pack materials. We also encouraged them to use recycled cardboard.

In 2007, we held a packaging summit at our Lumberton, N.J. facility that was attended by representatives from some of our biggest vendors. We demonstrated our entire process – from receiving to store distribution – and highlighted the amount of unnecessary waste resulting from over-packing. Recommendations for a more sustainable approach to packing and shipping were provided. The cooperation from our suppliers has been tremendous. Together, we have reduced materials, labor and waste.



2007 Total Volume of Paper and Cardboard Recycled by CVS/pharmacy Stores and Distribution Centers

A Commitment to Reuse

CVS has been utilizing reusable plastic totes for more than 30 years. The totes are used to deliver products from distribution centers to our stores, thus replacing the need for corrugated boxes. Each tote, on average, is used 250 times. In 2007, we began exploring with our tote manufacturers a cradle-to-cradle initiative to create a next generation tote. We would like these totes to be:

- Made of 100 percent recycled materials.
- Equipped with lids that use newly developed plastic pins instead of metal pins.
- Repurposed at the end of their life cycle, by shredding, pulverizing and then reusing the old material in new plastic totes.

A Commitment to Recycle

We are proud of our recycling efforts as a means to reduce our total solid waste. Our efforts in this area included:

- Recycling cardboard and pallets at every distribution center.
- Using the multiple bailers installed in each distribution center for compressing corrugate and preparing it for recycling.
- Maintaining a national account with Rand Whitney for recycling compressed corrugate.
- Placing recycling bins in workspaces and conference rooms to collect and recycle paper.
- Ensuring our cafeterias collect and recycle paper, cans and plastic bottles.
- Conducting a pilot program for recycling plastic items such as shrink wrap and exploring ways to extend and enhance our plastic recycling efforts throughout our distribution network.
- Complying with state and local regulations that require us to offer plastic bag recycling at certain stores.



CVS has been utilizing reusable totes for more than 30 years to deliver products from distribution centers to our stores, thus replacing the need for corrugated boxes. Each tote, on average, is used 250 times.

Proper Management and Disposal of Hazardous Waste

At CVS Caremark, we take our responsibility seriously when it comes to the safe and proper disposal of hazardous materials. Within our distribution network, we have a comprehensive process in place that involves:

- Using our Web-based visibility tool to accurately identify products containing substances of concern and then determine appropriate protocols and regulations for safely handling, storing and transporting these products through our distribution network.
- Segregating products containing substances of concern into adequately protected areas within our distribution centers.
- Keeping our transportation department informed of regulations and requirements that govern the safe transport and shipping of sensitive products.
- Using a combination of national and regional third-party providers to safely dispose of our hazardous waste.
- Training our associates on the appropriate process for handling and disposal of hazardous materials.
- Reporting incidents involving hazardous materials, should they occur in our facilities.
- Conducting annual reviews of all safety systems.

Moving Ahead

To build on our earlier efforts, in 2008 we plan to:

- Explore other potential energy savings programs throughout the enterprise.
- Continue to integrate LEED standards and ENERGY STAR principles, where appropriate, into the design and construction of our stores and distribution centers.
- Pursue energy-efficient technology standards to conserve energy and streamline operations at our data centers.
- Ensure that all of our facilities are effectively recycling and reducing unnecessary waste.
- Ensure that our hazardous waste handling and disposal process is consistently managed throughout our entire enterprise and that we remain in full compliance with existing regulations.
- Align with the MIT Center for Transportation and Logistics to evaluate the impact of our carbon footprint.

About This Report

This is CVS Caremark's first Corporate Social Responsibility (CSR) Report. It provides an overview of the company's social and environmental commitments, initiatives and related performance data for 2007. In some instances, we have referenced events or activities that began in 2007 but continued to evolve in early 2008.

CVS Caremark was influenced by the Global Reporting Initiative (GRI) in determining relevant content and performance metrics to include in our first report. While CVS Caremark chose not to report in accordance with the GRI, its principles and indicators helped to provide a basis for our reporting. We also conducted an issues assessment, described below, to identify other material topics for inclusion. More information on GRI is available at www.globalreporting.org.

The environmental data presented in this report does not encompass the entire enterprise, and instead represents CVS/pharmacy stores and related operations; however, some anecdotal information related to Caremark's environmental measures is included. This is due to the timing of the merger between CVS and Caremark, which was finalized in mid-2007. Our intent is to establish standardized metrics so we can begin tracking and reporting data related to our environmental initiatives, such as energy usage, on an enterprise-wide basis in the future.

Issues Assessment to Determine Materiality

Our process for determining materiality involved examining a variety of sources – both internal and external – in order to identify issues of most relevance and importance to the company and its stakeholders. Some of the sources included:

- Company objectives, strategies, policies, programs and risk factors
- Internal and external publications, documents and presentations
- Customer and patient feedback
- Shareholder resolutions
- Media coverage and blog discussions of issues
- Industry trends and issues

After reviewing these sources, we compiled a matrix of issues and prioritized each one based on the following criteria:

- The importance of the issue to – and potential impact on – CVS Caremark
- The importance of the issue to – and potential impact on – our stakeholders
- The amount of reasonable control CVS Caremark has over a particular issue

Based on our assessment, and a review of the GRI Guidelines, we determined that the material issues of greatest importance to CVS Caremark and our stakeholders, which the company has a reasonable level of control over, fall into six topic areas: Corporate Governance, Environment, Workplace, Products, Customers, and Community. These are the topics we have chosen to cover in the CVS Caremark 2007 CSR Report.

Reporting Year

CVS Caremark fiscal year 2007 (December 31, 2006 to December 29, 2007), unless otherwise noted.

Information Integrity

CVS Caremark management is responsible for the preparation and integrity of the information in this report. The metrics and goals in this report are established and measured by the groups responsible for achieving them. Through a system of internal controls, including a 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 29, 2007. The report was reviewed and approved by CVS Caremark senior management. However, this report has not been externally audited or verified.

Your Feedback

This report is an important tool for communicating our corporate social responsibility 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@cvs.com.

Preparation of this Report:

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This report contains certain forward-looking statements that are subject to risks and uncertainties that could cause actual results to differ materially. For these statements, the Company claims the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. The Company strongly recommends that you become familiar with the specific risks and uncertainties outlined under the caption "Cautionary Statement Concerning Forward-Looking Statements" in its Annual Report on Form 10-K for the fiscal year ended December 29, 2007.



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