



2011 CORPORATE RESPONSIBILITY REPORT

Helping people on their
path to better health



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We are:
A pharmacy innovation company

Our purpose:
Helping people on their path to better health

Our strategy:
Reinventing pharmacy

Our values:
Innovation
Collaboration
Caring
Integrity
Accountability

CVS CAREMARK: A PHARMACY INNOVATION COMPANY



The world of health care has become complex and hard to navigate for most people. What people seek is a clear path to better health to ensure a healthy future. As a market leader in pharmacy services and retail medical clinics, CVS Caremark is uniquely positioned to

engage patients and plan members in behaviors that will improve health outcomes and lower health care costs. In order to fully realize this potential, we clearly defined our purpose – helping people on their path to better health – and sharpened our strategy – reinventing pharmacy. Core to our strategy is a focus on innovation.

“Innovation” to us means demonstrating openness, curiosity and creativity in the relentless pursuit of excellence. If we are going to make a difference in helping people on their path to better health, then we must provide more relevant, caring, expert guidance, more cost-effective solutions and even more convenient access. Simply put, we must innovate and do things differently.

We are making these changes because we know our customers, clients and patients need a trusted partner to help them stay healthy. We do this by expanding and empowering the role of the pharmacist. Our pharmacists don’t just fill prescriptions. In 2011, they continued to use the latest technology – and our company’s extensive research and knowledge of chronic health conditions and medication adherence – to become everyday advocates for the health of our patients. This spirit of patient advocacy and our strategy of reinventing pharmacy are further strengthened by the unique services performed by our pharmacists and our MinuteClinic nurse practitioners, who are located together in many of our stores.

Our commitment to this reinvention goes beyond the pharmacy and retail health clinic environment. It results in a focus on innovation that permeates every aspect of our business and operations, from our policies and procedures, to our people.

It is now standard procedure, for example, to continually assess our operational footprint and create more innovative, sustainable solutions to address our impact on the environment. We know, for instance, that the energy used to power our more than 7,300 retail pharmacy locations accounts for the vast majority of the company’s total energy use and is our most significant environmental impact. So, in 2011, we implemented various measures aimed at reducing energy use in our stores without compromising the customer experience.

We also value openness with our customers, stakeholders and the communities within which we do business. In this report, for the first time, we have included an accounting of our political contributions and activities. And we are providing an expanded look at corporate diversity, with new insights on diversity among our colleagues.

Of course, all good ideas start with great people. Whether it’s being more accountable, looking for new ways to save energy, or volunteering to support a company-sponsored charity, our 200,000 colleagues truly define “who” we are as a corporate citizen.

I invite you to read about how we’re helping people on their path to better health through our innovative programs and people, some of whom you’ll meet in this report. And I invite you to get a real sense of the exciting progress we’re making, in many different ways, every single day.

Sincerely,

A handwritten signature in black ink that reads "Larry Merlo". The signature is written in a cursive, flowing style.

Larry J. Merlo
President and Chief Executive Officer

CVS CAREMARK COMPANY PROFILE

CVS Caremark (NYSE: CVS), headquartered in Woonsocket, RI, is the largest pharmacy health care provider in the United States with integrated offerings across the entire spectrum of pharmacy care. We are a pharmacy innovation company, uniquely positioned to deliver significant benefits to health plan sponsors through effective cost management solutions and innovative programs that engage plan members and promote healthier and more cost effective behaviors. Our integrated pharmacy model enhances our ability to offer plan members and consumers expanded choice, greater access and more personalized services to help them on their path to better health. CVS Caremark is a market leader in mail order pharmacy, retail pharmacy, specialty pharmacy, and retail clinics, and is a leading provider of Medicare Part D Prescription Drug Plans.

The pharmacy benefit management (PBM) division provides a range of services including mail order pharmacy, specialty pharmacy, Medicare Part D services, plan design consultation and administration, formulary management, claims processing, pharmacy network management, disease management and pharmacogenomics. As one of the country's largest PBMs, we provide access to a network of more than 65,000 pharmacies, including CVS/pharmacy® stores. Our clinical offerings include our signature Pharmacy Advisor® program as well as innovative generic step

therapy and genetic benefit management programs that promote more cost effective and healthier behaviors that improve health care outcomes.

Our retail pharmacy division includes more than 7,300 CVS/pharmacy stores that provide unparalleled service and capabilities. CVS/pharmacy stores dispense prescription drugs and sell a wide assortment of high-quality, nationally advertised brand name and private label merchandise. We currently operate in 92 of the top 100 U.S. drugstore markets and hold the number one or number two market share in 73 of these markets. Our retail-based health clinic subsidiary, MinuteClinic®, utilizes nationally recognized medical protocols to diagnose and treat minor health conditions, perform health screenings, monitor chronic conditions and deliver vaccinations.

We employ approximately 200,000 colleagues in 44 states, the District of Columbia, and Puerto Rico. At year-end 2011, we operated 7,327 retail drugstores, 550 full-time MinuteClinic locations, 31 retail specialty pharmacy stores and four mail order pharmacies, and our CVS.com®, Caremark.com and MinuteClinic.com websites. During 2011, the company increased the number of CVS/pharmacy and MinuteClinic locations and decreased the number of retail specialty pharmacy stores.



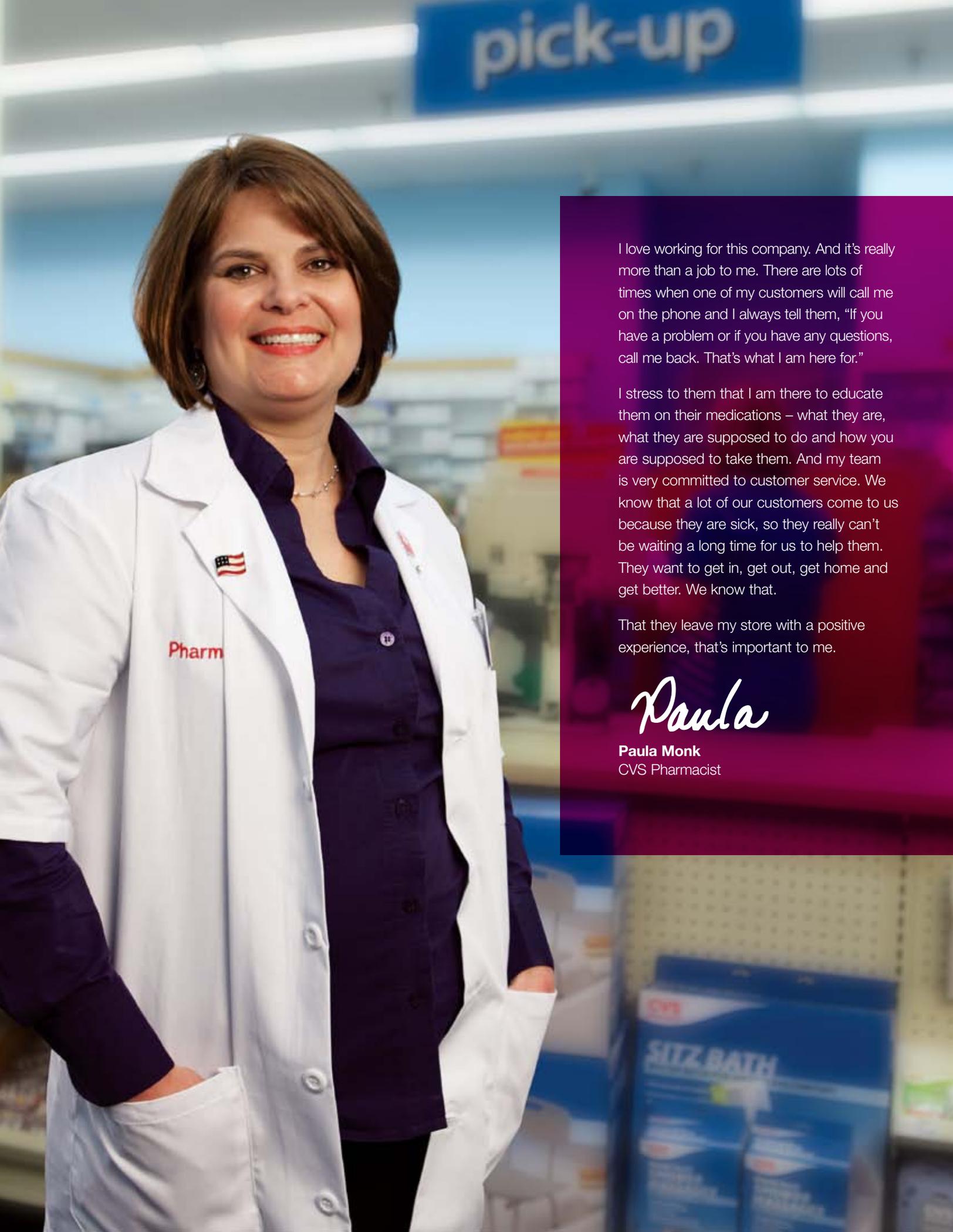
COMPANY DATA 2011

FINANCIAL HIGHLIGHTS (IN MILLIONS, EXCEPT PER SHARE FIGURES)

| | |
|--|-----------|
| Net revenues | \$107,100 |
| Operating profit | \$6,330 |
| Net income attributable to CVS Caremark | \$3,461 |
| Diluted EPS attributable to CVS Caremark | \$2.59 |
| Stock price at year end | \$40.78 |
| Market capitalization at year end | \$52,937 |

OPERATIONAL HIGHLIGHTS

| | |
|----------------------------------|---|
| Store count at year end | 7,327 |
| Retail clinic count at year end | 550 Full-time |
| Retail specialty pharmacy stores | 31 |
| Mail order pharmacies | 4 |
| Number of employees | 200,000 |
| Facility and store locations | 44 States, the District of Columbia and Puerto Rico |



pick-up

Pharm

I love working for this company. And it's really more than a job to me. There are lots of times when one of my customers will call me on the phone and I always tell them, "If you have a problem or if you have any questions, call me back. That's what I am here for."

I stress to them that I am there to educate them on their medications – what they are, what they are supposed to do and how you are supposed to take them. And my team is very committed to customer service. We know that a lot of our customers come to us because they are sick, so they really can't be waiting a long time for us to help them. They want to get in, get out, get home and get better. We know that.

That they leave my store with a positive experience, that's important to me.

Paula

Paula Monk
CVS Pharmacist

SITZ BATH

HELPING PEOPLE ON THEIR PATH TO BETTER HEALTH

As a pharmacy innovation company, CVS Caremark is continuously developing new ways to lower costs and improve health. We know that to make a difference, you have to do things differently; that's why we're reinventing pharmacy to help people on their path to better health. Reinventing pharmacy starts with the belief that a pharmacy is much more than a place to get your prescriptions filled. It's a place where you can expect caring expert guidance, new solutions to reduce your health care costs and more convenient access to pharmacists and nurse practitioners.

Reinventing pharmacy starts with the uniqueness of our company. We are not exclusively a pharmacy retailer or solely a pharmacy benefits manager. We are truly a "category of one" – a company delivering services that would be very difficult for any retail pharmacy or pharmacy benefits manager (PBM) to deliver on its own.

CVS Caremark is reinventing pharmacy for better health by:

- Advancing the understanding of medication adherence to assure better health outcomes
- Engaging with patients through innovative programs like Pharmacy Advisor®, Maintenance Choice® and additional programs that help our customers stay on their medications and stay healthier
- Providing increased access to quality care through MinuteClinic®, our retail-based medical clinics
- Offering free or affordable health services to those who are uninsured or underinsured
- Ensuring quality and safety in all of our products and dispensed medications
- Enhancing the customer experience and providing value

Advancing Medication Adherence and the Science of Pharmacy Care

Prescription medicine helps sick people get better, but despite that an alarming percentage of patients do not take their medications as directed by their doctors. Research shows that 25 percent of patients who have been prescribed medications for a new illness fail to fill their initial prescription. Half of patients taking maintenance medications for a chronic disease stop taking their medications within a year of starting therapy. This non-adherence to essential medications is a frequent cause of preventable hospitalizations and patient illness,

costing the U.S. health care system an estimated \$300 billion annually.

As a pharmacy innovation company that is reinventing pharmacy for better health, CVS Caremark is examining why patients act the way they do when it comes to taking, or not taking, medicine. To do this, we launched a research collaboration with Harvard University and Brigham and Women's Hospital in 2009.

CVS Caremark has also established a Behavioral Change Research Partnership, which has enlisted behavioral scientists and economists from Carnegie Mellon University, Dartmouth College's Tuck School of Business and the University of Pennsylvania's Medical School and Wharton School of Business.

Through these collaborations, we are advancing adherence and expanding the science of pharmacy care. We are engaging patients by providing information to help them make more appropriate decisions about their health. We are educating patients, physicians and the public about the importance of staying adherent. We are engaging policy leaders in discussions about the importance of pharmacy care as a strategic health care improvement tool and have conducted an informational campaign directed to policymakers on this issue. We are also conducting a public education campaign that began in May 2011 with a forum on medication adherence at the National Press Club in Washington, D.C. and included the publication of compendiums of our research in May 2011 and March 2012.

Our research agenda has resulted in 20 peer-reviewed publications including studies about:

- the financial impact of adherence and how the use of cost-effective medications can impact behavior;
- contributing factors to medication adherence;
- the role and impact of health care professionals on adherence; and
- the role and impact of technology on adherence.

In addition, in March 2012, we published the *State of the States: Adherence Report*, a first-of-its-kind study that looks at how patients in all 50 states are complying with their doctors' orders about taking medication. This review of CVS Caremark's pharmacy benefit manage-

ment claims data focused on four common disease states – hypertension, high cholesterol, diabetes and depression – that make up a large portion of what health plan sponsors spend for prescription medications.

We plan to share the *State of the States: Adherence Report* with state and regional officials and policy makers in all states. We hope by convening these discussions around adherence we can urge policy makers to make the goal of improving medication adherence a national priority.

Our medication adherence research has been essential in the development of our Pharmacy Care Economic Model (PCEM) that pinpoints the potential cost savings health plans can achieve by adopting programs that improve medication adherence. The CVS Caremark PCEM outlines savings in excess of \$50 million in medical care cost avoidance and increased productivity for businesses with 100,000 health plan members.

The information we have assembled will help us drive innovation, further defining how we deliver patient care in the future.

Improving Adherence Through Pharmacy Advisor® and Maintenance Choice®

Pharmacy Advisor is CVS Caremark's unique approach to help patients with chronic conditions achieve better health outcomes by promoting improved medication adherence and closing gaps in care. Through the program, CVS Caremark engages pharmacy benefit management plan members face-to-face at CVS/pharmacy or by phone when they fill prescriptions through CVS Caremark's mail service pharmacy.

CVS Caremark launched Pharmacy Advisor for diabetes in early 2011 and early metrics show very promising and positive behavior change. For example, we saw a 7.6 percent decrease in prevalence of gaps in medication therapy in the Pharmacy Advisor program group as compared to a 3.2 percent increase in the control population. Additionally, we saw a 19 percent decrease in first fill drop-off percent for diabetes medications. By the end of the year, 640 clients representing 12.2 million lives had implemented one-on-one outreach for plan members with diabetes

through Pharmacy Advisor. More than 700,000 members were contacted by the program and 1.6 million clinical interventions were delivered, including 1.2 million live interventions.

The Pharmacy Advisor program was recognized by the Pharmacy Benefit Management Institute (PBMI) with the 2011 Rx Benefit Innovation Award and by URAC for Best Practices in Health Care Consumer Empowerment and Protection. An independent, nonprofit organization, URAC is a leader in promoting health-care quality through accreditation and certification programs.

In 2012, Pharmacy Advisor will begin addressing chronic cardiovascular care, which will initially focus on improving medication adherence for four conditions: high blood pressure, high cholesterol, coronary artery disease and congestive heart failure.

CVS Caremark's Maintenance Choice program is another example of the company's commitment to providing quality pharmacy health care that is more

convenient, accessible and affordable. The program gives eligible pharmacy benefit management plan members the option of picking up their 90-day maintenance prescriptions at CVS/pharmacy locations rather than receiving them through the mail. Plan members who use the program say they consider it to be a benefit enhancement and CVS Caremark data shows that for members who are new to therapy, 30 percent more stayed on therapy after 180 days in the Maintenance Choice program versus traditional prescription mail order programs. Approximately 10 million CVS Caremark plan members were enrolled in Maintenance Choice as of early 2012.

Patient Care Initiatives Driving Better Health Outcomes

CVS/pharmacy has also introduced a number of unique patient care programs to improve medication adherence in retail pharmacy patients. These initiatives help people on their path to better health and improve pharmacy service. Care 1on1™, introduced in 2011, offers CVS/pharmacy patients dedicated one-on-one time with a pharmacist to

How much can be saved by better medication adherence?

A study published in the January 2011 issue of *Health Affairs* definitively established that adherent patients who take medications as directed cost the health care system less. Patients who were adherent to their medications achieved savings as the result of fewer emergency department visits and fewer in-patient hospital days.

Congestive heart failure patients

saved **\$7,823** on average per year

High blood pressure patients

saved **\$3,908** on average per year

High cholesterol patients

saved **\$1,258** on average per year

Diabetes patients

saved **\$3,756** on average per year

I knew health care was my calling when I first volunteered as a candy striper at the local hospital. It was there that I learned the importance of patient education and the power of compassionate care. As a nurse practitioner at MinuteClinic, those early lessons have served me well. Patients put their trust in me to make the right decisions for their well-being, and my commitment to helping them on their path to better health never wavers.

My work at MinuteClinic is the most rewarding yet in my career. It is great to work for a company that shares my passion for helping others, and offers an affordable, welcoming place for patients to get the care they need.



Kit O'Neill-Conover
Nurse Practitioner, MinuteClinic



discuss savings, safety and side effects when their prescription for a maintenance medication is transferred or filled for the first time. Additional programs include first fill counseling, adherence outreach, refill reminders and ReadyFill®.

More than 150 million patient interventions have been conducted through these programs since 2008, including 60 million in 2011 alone.

Providing Increased Access to Care through MinuteClinic®

MinuteClinic, the leading retail health care provider in the U.S., is reinventing pharmacy by providing patients with convenient access to high-quality affordable health care at their retail pharmacy. Since 2000, MinuteClinic has provided care to more than 11 million patients – 10 million of whom have been treated in the last five years. As of the end of 2011, there were approximately 550 full-time MinuteClinic locations inside select CVS/pharmacy stores in 25 states and the District of Columbia. MinuteClinic

reached its goal of opening more than 100 clinics in 2011 and we are on our way to operating more than 1,000 clinics by 2016.

MinuteClinic provides walk-in care for common family illnesses, injuries and skin conditions – in addition to vaccinations, physicals and monitoring services for chronic conditions – seven days a week without an appointment, including evenings and holidays. Convenience is a key factor that drives consumers to seek out high-quality care at MinuteClinic.

A second factor is the profound shortage of primary care physicians in the U.S. It is already a challenge for many patients to be seen for common conditions like sore throats and sinus infections. With a shortfall of at least 45,000 primary care physicians expected by 2020, this problem is only expected to get worse. MinuteClinic gives these patients – who might otherwise wait weeks or even months to see a primary care physician – the opportunity to be seen and treated sooner. MinuteClinic services are covered by most insurance plans, with patients typically paying their primary care co-pay for services.

Expanding Scope of Services

MinuteClinic is also continuing to expand the scope of services provided into non-acute areas such as monitoring and point of care testing for diabetes, hypertension, high cholesterol and asthma in addition to vaccinations and routine physical examinations. In total, these non-acute areas represent the fastest growing segment of the MinuteClinic business and are projected to account for 25 percent of MinuteClinic volume within the next five years.

MinuteClinic continued to promote the value and convenience of services for those with chronic conditions such as diabetes and in 2011 provided 7,500 free diabetes monitoring visits including testing for Hemoglobin A1c and kidney function, BMI, foot, blood pressure and cholesterol checks.

In addition to offering monitoring, wellness services and physicals, MinuteClinic practitioners are trained to diagnose, treat and write prescriptions for common family illnesses such as strep throat and ear, eye, sinus, bladder and bronchial infections. Minor wounds, abrasions and joint sprains are treated, and common vaccinations such as influenza, tetanus, pneumovax, and Hepatitis A & B are also available.

Quality and Satisfaction

MinuteClinic was the first retail health care provider to receive accreditation (2006) and reaccreditation (2009) from The Joint Commission, the national certifying agency for nearly 15,000 major health care organizations. MinuteClinic has a 95 percent customer satisfaction rate as measured through Press Ganey, the industry's recognized leader in health care performance measurement. MinuteClinic's Net Promoter Score, a measure of recommendation to family and friends, is on par with top brands such as Apple and Amazon.com.

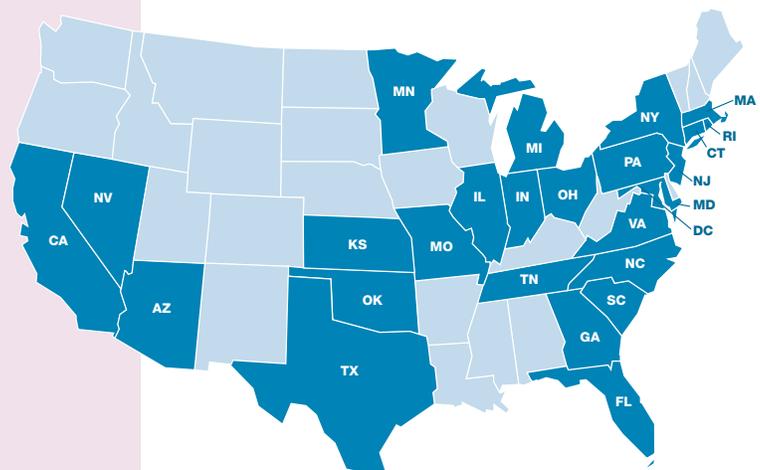
Forging Health System Relationships

MinuteClinic is forging collaborative clinical, information system, and health care relationships with many of the nation's leading health systems, including Cleveland Clinic, Henry Ford Health System, Emory Healthcare and others. In 2011, MinuteClinic finalized affiliations with nine health care systems; one additional affiliation was added in early 2012. Health system physicians collaborate with MinuteClinic practitioners to provide quality oversight and education services. Many of them also serve as MinuteClinic directors.

MinuteClinic Health System Affiliations (As of March 2012)

1. Cleveland Clinic – Cleveland, OH
2. Allina Hospitals & Clinics – Twin Cities, MN
3. Dignity Health (formerly Catholic Healthcare West) – Phoenix, AZ
4. St. Vincent's Healthcare – Jacksonville, FL
5. St. Rose Dominican Hospitals – Las Vegas, NV
6. Advocate Health Care - Chicago, IL
7. INOVA – Northern Virginia, VA
8. Cleveland Clinic-FL – West Palm Beach/Boca Raton, FL
9. OhioHealth – Columbus, OH
10. Henry Ford Health System – Detroit, MI
11. Indiana University Health – Indianapolis, IN
12. Emory Healthcare – Atlanta, GA
13. Carolinas Healthcare System – Charlotte, NC
14. UMass Memorial – Worcester, MA
15. TriStar Health – Nashville, TN

MinuteClinic has 550 full-time locations in 25 states and the District of Columbia



Ask Me 3™

In 2011, MinuteClinic became the first retail clinic provider to launch a partnership with the National Patient Safety Foundation for its health literacy program. This patient education program is designed to enhance communication between health care providers and patients in order to improve health outcomes. The program encourages patients to ask and understand the answers to three questions:

- What is my main problem?
- What do I need to do?
- Why is it important for me to do this?

To showcase the partnership with the National Patient Safety Foundation, MinuteClinic displays certificates and provides brochures on the program to patients. We also make the information available on our website www.minuteclinic.com/askme3. Our practitioners have been

trained on the program so they can guide patients to be proactive in their care and ask the three questions.

During the first year of the program, MinuteClinic practitioners reported high levels of engagement with Ask Me 3™. As a next step, MinuteClinic is exploring ways to increase the frequency of discussing the program and measuring the impact of its use on patient understanding of their care.

MinuteClinic is also integrating electronic medical record systems with affiliated hospital systems in regional markets. The integration of medical records allows MinuteClinic practitioners to view prior medical history and important information such as current prescriptions and allergies. It then allows the MinuteClinic visit summary to be visible within the patient's overall history to the primary care provider.

Supporting Patients and Communities

CVS Caremark engages in community outreach programs to patient groups, including the uninsured and those lacking access to care, who may need additional resources to manage their health and pharmacy care needs.

Free Flu Shots for the Uninsured

During the most recent winter flu season, CVS Caremark pledged up to \$6 million in free flu shots to patients who lack health insurance. Direct Relief USA, a nonprofit health care organization, partnered with CVS Caremark in this effort through nearly 500 community clinics and health centers across the country. The participating clinics and health centers identified uninsured individuals from their existing patient populations and provided them with a free flu

shot voucher redeemable at any CVS/pharmacy or MinuteClinic location. Over the past three years, CVS Caremark has committed to provide up to \$14 million in free flu shots to patients in need.

NACo and NLC Prescription Discount Card Programs

CVS Caremark administers prescription discount card programs for the National Association of Counties (NACo) and the National League of Cities (NLC). These cards are designed to help residents of cities and counties save money on the prescriptions that are not covered by their insurance. The free cards are distributed by counties or member cities and may be used at any participating retail pharmacy. More than 60,000 pharmacies nationwide participate in these programs, including most chain and independent pharmacies. In 2011, residents of counties participating in the NACo Prescription Discount Card Program saved more than \$92 million on their prescription medications, with an average discount per prescription of 27.3 percent. Participants in the NLC discount card program in 2011 saved nearly \$3.5 million on their prescription medications, with an average discount per prescription of 25.7 percent.

I graduated from pharmacy school in 2009, so the challenges that come with being an intern and a new pharmacist are still fresh in my mind. As a pharmacy preceptor and pre-pharmacy mentor, I enjoy sharing what I've learned with others as they make the journey from student to licensed professional. I'm proud to introduce our interns to the world of pharmacy health care and watch them grow into their role over time.

Of course, I encourage all of my pharmacy interns to consider a career with CVS/pharmacy when they graduate. Why? Because I believe in what we do, and I want to ensure our next generation of pharmacists is there to help patients understand their medications and stay adherent to them. It's one important way we help people on their path to better health.

Jamie
Jamie Thomas
CVS Pharmacist



Free Health Screenings

In 2011, CVS/pharmacy provided free and low-cost medical screenings and services to more than 162,000 people through its To Your Health and A Su Salud programs. Relunched as Project Health in 2012, the program aims to prevent disease through early detection of such conditions as diabetes, high blood pressure and high cholesterol. For more information on the program, see p. 36.

Ensuring Quality and Safety

Product quality and patient safety are top priorities for CVS Caremark. We are committed to ensuring the prescription medications and products we sell are safe, high-quality and cost-effective.

Pharmacy Operations

All of our pharmacy operations, including mail services, specialty pharmacies and retail pharmacies, follow comprehensive quality assurance processes for prescription safety and accuracy. The dispensing process employed in our prescription mail service operations includes extensive quality assurance measures, such as enhanced quality control, electronic imaging, quality procedures for compounded prescription items, an integrated system for eligibility verification and drug utilization review and final quality assurance checks.

At our specialty pharmacies, we employ an additional comprehensive review process for medication appropriateness and conduct a complete patient assessment to help prevent safety, administration or efficacy issues with the prescribed medication.

Our retail pharmacies also have well-defined processes in place to ensure accurate dispensing, including on-screen computer messaging, bar-coded prescription labels, electronic prescribing, automated prescription filling technology, electronic pill imaging, electronic scanning of prescription orders, upgraded prescription verification computer screens, enhanced telephone order prescription blanks and quality assurance training for all pharmacy personnel. We also have a relationship with the PSO Advisory, a patient safety organization based in Providence, RI, to provide feedback on safety improvements.

To ensure patient safety, we provide information on all prescription labels to describe what the medication looks like and we advise patients to check their medication to make sure that it matches the label information that notes color, shape and markings. Labeling information also includes side effects as well as instructions on how best to take the medication. A comprehensive drug description slip is also provided with every prescription and contains helpful information about side effects, drug interactions and what to do if a patient misses a dose. Prescription medications account for approximately 70 percent of revenues at CVS/pharmacy stores and more than 80 percent of CVS Caremark's total revenues. Our labeling practices apply to all prescription medications dispensed by the company.

In addition, our pharmacists are trained to exercise their professional judgment to meet potentially conflicting challenges posed by the regulatory imperative to prevent drug diversion and inappropriate drug use.

Product Quality Assurance, Safety and Testing Process

CVS/pharmacy follows a standardized process to ensure consumer product quality and safety and our suppliers must comply with our product quality and safety standards and requirements. We utilize a third-party company to provide the technical expertise to support day-to-day operations of our quality assurance testing program at all levels – from production to use.

CVS Brand Products

Our goal when developing a CVS Brand product is to meet or exceed national brand performance. The manufacturing of CVS Brand products is contracted through third-party vendors who are required to comply

with all applicable laws and regulations. All CVS Brand products are evaluated at least annually and reviewed for their adherence to specifications and performance. We are continuously improving our products based on ongoing market surveillance and customer feedback.

Prior to acceptance as a CVS Brand product, potential new store products must demonstrate compliance through rigorous testing with all quality standard requirements as detailed in our Test Requirements protocol. This protocol specifically states animal testing is prohibited. In addition to testing, the supplier must have on file the documentation to substantiate their products are not tested on animals and do not use adulterated materials.

A Technically Advanced Quality Assurance program was developed with the assistance of a third party to ensure CVS Brand products meet regulatory requirements as to safety, identity, strength, quality and purity characteristics. We employ a pre-clearance, supplier qualification and ongoing quality monitoring program to assure compliance and continuous improvement.

Imported Products

All imported consumer products, in the form of final production samples, are tested for quality, safety and performance. We are also committed to working with suppliers who meet our standards as responsible corporate citizens. For more information, please see pp. 67 – 69.

Effective Management of Product Recalls

We have effective processes in place for managing pharmaceutical and product recalls, including many which are taken as a precautionary approach:

- Notifying internal and external stakeholders
- Removing products from the shelves at all of our stores, distribution centers and our website
- Ensuring that technological solutions are activated to block accidental sales
- Educating colleagues on recalls
- Posting retail recall posters, when appropriate
- Returning recalled items for proper disposal

In 2011, we also focused additional resources on post-marketing surveillance – monitoring the

performance of products once they are in the hands of consumers. Our efforts are focused on customer safety and satisfaction. This resulted in fewer CVS Brand product recalls and improvement in manufacturing facilities' regulatory compliance and good manufacturing practices.

A number of recalls in 2011 affected national-branded products and a smaller number of store brand products. Our recall process is effective in removing products from the store shelves and changes implemented in 2011 have reduced replenishment time.

Cosmetic Safety

Our cosmetics supplier partners are actively engaged in ingredient and product safety and provide industry-wide thought leadership on these issues. We require our cosmetics vendors to supply CVS/pharmacy with products that comply with our Cosmetic Safety Policy and applicable regulations in regard to banned substances and packaging requirements. In evaluating vendor compliance to ensure cosmetics safety, products must be formulated to ensure they present no risk of contamination and each production batch must be tested to meet FDA requirements and CVS/pharmacy specifications. In addition, product ingredients are identified and each ingredient is evaluated based on available safety information before it is considered for sale. Colorants are confirmed to ensure they are acceptable for use by FDA requirements. Testing is performed to assess and confirm skin compatibility as well as to confirm the absence of lead, bisphenol A and phthalates as required by regulation.

To further ensure safety and promote education across the retail industry, our Product Development Managers participate in professional organizations and consult with third-party experts on specific questions related to ingredient and product safety facing the industry. Our Government Affairs team and third-party quality assurance labs keep us apprised of current and potential legislation that would impact our protocols, as well as developments around the world that may eventually impact U.S. standards. We are also monitoring the Food Safety Modernization Act and Reasonable Testing program to understand what impact that will have on us and our suppliers.

CVS/pharmacy Cosmetic Safety Policy

Our company is 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.

We are committed to:

- Providing our customers with innovative products from around the world that have been hand-selected and tested to meet or exceed regulatory standards.
- Building relationships with partners who educate us on scientific research and developments related to ingredients of concern in cosmetic products.
- Continuously evaluating our CVS Brand and private label products based on new research findings.
- Partnering with our cosmetic suppliers to ensure proper protocols are used to ensure 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 supplier 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.

Enhancing the Customer Experience and Providing Value

CVS Caremark is continually finding new opportunities to engage with our customers to more fully understand their needs and provide better solutions that improve the customer experience.

Rewarding Customers with ExtraCare®

CVS/pharmacy's ExtraCare program has become the largest retail savings and rewards program in the United States with more than 69 million active cardholders. ExtraCare is also the vehicle for offering our customers value and a personalized shopping experience.

In January 2011, we launched the ExtraCare Beauty Club®, offering members a 10 percent off beauty shopping pass upon enrollment, \$5 in ExtraBucks® Rewards for every \$50 spent on beauty purchase and \$3 in ExtraBucks Rewards on the member's birthday, as well as special beauty offers throughout the year. Members also receive monthly email newsletters with exclusive coupons, tips from experts and new product information. By the end of 2011, the ExtraCare BeautyClub had 11.1 million members.

In 2011, ExtraCare also introduced a new Send to Card™ option for cardholders to redeem their ExtraBucks Rewards. This new feature gives cardholders the ability to send select ExtraCare email offers and quarterly ExtraBucks Rewards directly to their ExtraCare card, eliminating the need for shoppers to print and carry paper rewards.

In recognition of high gas prices and the continued need for consumers to find value in a tough economy, in 2011 we introduced free gas card and free gift card promotions for ExtraCare cardholders who purchased specially-marked products. The gas card promotion alone delivered \$800 million in rewards to ExtraCare cardholders.

Engaging Customers Through Social Media

The use of social media provides many opportunities to communicate and connect with customers and other stakeholders.

The official CVS/pharmacy Facebook page, which now has more than 900,000 fans, is used to provide health care tips, information on our unique pharmacy offerings and other relevant news for customers. In addition, by posting our latest sales and ExtraCare deals, we help our customers make the most of their money. We also invite customers to tell us about their experiences in our stores and the Facebook page has been used to host pharmacist chats on topics including the flu, diabetes

and allergies. The MinuteClinic Facebook page, with 275,000 followers, provides information on common medical problems and seasonal health conditions.

The CVS ExtraCare Beauty Club® Facebook page, with more than 300,000 fans, helps consumers learn how to save on their favorite beauty items and learn about new products from beauty experts. In addition, a CVS Caremark All Kids Can® Facebook page is a community resource for families raising children with disabilities and for our nonprofit partners who support those families (see p. 44 for more details).

The ExtraCare Twitter feed, @CVS_Extra, gives followers access to ExtraCare deals, exclusives and savings advice from experts. The corporate microsite, CVSCaremarkFYI.com is the place where we feature our innovative people – and the customers, clients and patients who they are helping on their path to better health. CVS Caremark on Twitter – @CVSCaremarkFYI – communicates ways we are reinventing pharmacy for better health.

Making Digital Connections

In 2011, CVS Caremark relaunched www.caremark.com to further enhance the online experience for the company's pharmacy benefit management (PBM) members. The updated website unveiled a new look as well as enhanced functionality to provide members with an online destination to help them quickly and easily manage their prescription benefits. A new app also makes it possible for both Android and iPhone users to log in securely to their existing Caremark.com account to refill a prescription, check prescription order status, view prescription history, request a new prescription, check the cost of a drug or find a nearby network pharmacy. PBM mobile traffic grew in excess of 300 percent in 2011.

CVS/pharmacy also introduced new mobile features, including iPhone and Android apps to enhance

“The use of social media provides many opportunities to communicate and connect with customers and other stakeholders.”



As a pharmacist who used to work in our retail stores, I know that patients worry about getting their prescriptions on time.

In leading the development of our Virtual Pharmacy initiative, I was part of a team that sped up delivery of mail prescriptions by dispensing and shipping from the location closest to the member.

In fact, this particular solution shaved two days off of the dispensing and shipping process, making a real difference in the lives of these patients.

I'm proud to work for a company that puts our customers first, encourages new ideas and rewards innovation.

Eric Chelena
Manager, Mail Pharmacy Operations

“In early 2012, CVS/pharmacy introduced Order Ready Text Messaging to provide customers with immediate notification via text message when their prescription is ready to be picked up.”

customers' shopping and prescription refill functionality through its mobile site (m.cvs.com), making it possible for customers to use mobile devices to scan their ExtraCare card and manage their ExtraCare account, scan and send prescription refill requests and order photo prints from CVS Photo Centers.

In early 2012, CVS/pharmacy introduced Order Ready Text Messaging to provide customers with immediate notification via text message when their prescription is ready to be picked up.

Gathering Retail Customer Feedback

CVS/pharmacy has a proprietary Advisor Panel of more than 100,000 consumers who provide us with feedback on a quarterly basis on a variety of topics that we use to develop new programs and products. In 2011, the Advisory Panel provided input on the exterior design of the CVS/pharmacy freestanding prototype, the look and feel of weekly circulars and the design of the CVS Brand “Big Chill” water bottle.

We have a state-of-the-art focus group facility, which is attached to a full-sized prototype of a CVS/pharmacy store. We use this facility to gain input on store layout and design, product merchandising concepts, signage, way-finding and other store features. The facility is also equipped with eye-tracking technology to help measure what customers actually see while shopping our aisles. Advanced analytics in the area of shopping-path tracking within the store have yielded insights that have allowed us to build awareness and usage of MinuteClinic, utilize product to help shoppers navigate the store, remove materials that don't contribute positively to the shopping experience and reorient critical messaging to the right places in the store for maximum visibility.

Engagement with customers has helped to identify their desires – such as staying healthy and saving time and money – and the successful innovations we have to

address them, such as drive-thru pharmacies, ReadyFill, large “club” sizes of OTC products, Maintenance Choice, ExtraCare and MinuteClinic.

In addition, our service measurement system garners feedback from more than two million retail customers annually, with results reported to every store, district, region and area on a monthly basis. This system allows us to call a centralized IVR system and listen to audio recordings of comments from customers of any store across the chain. We have utilized this system to both leverage existing service strengths and focus on areas where we have improvement opportunities. For example, based on customer feedback, we added the Send to Card feature on ExtraCare (p. 18), streamlined our store automated phone system and began fulfilling requests to provide text messaging to customers when their prescriptions were ready to be picked up.

PBM Client and Member Satisfaction Measures

We continuously strive to exceed customer expectations. Twice a year we conduct a survey to assess PBM client satisfaction with the account teams that serve them and with CVS Caremark services overall. In addition, we continuously monitor satisfaction among members who use our mail and specialty pharmacy services and our Customer Care call centers. Results of these surveys provide critical input to service improvement strategies.

For example, based on member feedback, we adjusted certain plan member contact phone numbers to eliminate a transfer and shorten the call length, making it possible for members to call a dedicated team directly to have their question resolved. We also adjusted the drug supply triage call process to include authorizing an emergency supply to be picked up at retail if a plan member is completely out of medication.



It's not every day that you can say you've truly made a difference in another person's life.

I remember one patient I helped before the Thanksgiving holiday in 2011. I'd spent many hours talking with representatives from this patient's insurance plan and working with her physician. My efforts resulted in the specialty medication she needed being approved by her Medicaid plan. She said to me that she could finally promise her daughter a "tomorrow" – a word she had never been able to use before that day.

We truly do make a difference, and it's why I'm proud to work for this company.

Penny

Penny Johnson
Senior Representative/Infusion Team
PBM Specialty Enrollment

In HR Benefits Communications, our number-one goal is to help CVS Caremark employees on their path to better physical and financial health by making sure they know about the benefits programs available to them. We develop multimedia campaigns to help our colleagues understand what their benefits are and how they work, notify them of changes when applicable and help them get the most from our health and wellness programs.

Here at CVS Caremark, we work every day to deliver for our patients and customers. I feel proud when I hear colleagues say they work for a company that cares as much about their wellbeing as they do about the people we serve.



Therese

Therese Prokop
HR Benefits Communications Manager

A PHARMACY INNOVATION COMPANY COMMITTED TO ITS PEOPLE

You cannot be a company driven by innovation and industry-leading ideas without cultivating talented people who truly believe in what you have set out to accomplish. CVS Caremark knows that in order to help our millions of customers on their path to better health, we must offer a best-in-class workplace that attracts colleagues who truly want to make a difference. We pride ourselves on having a workforce that is as diverse as the many different ways we serve our patients, customers and clients. And we reward that service with outstanding benefits and a corporate culture that encourages imagination and frequently challenges convention. It takes the best people to reinvent pharmacy. And they work here.

Comprehensive Benefits

Our company offers a comprehensive benefits package that includes personalized health care and wages that reflect the knowledge and experience required for a specific job. In all, CVS Caremark invested \$8.4 billion in 2011 on wages and benefits for our colleagues.

Full-time colleagues, those working an average of 30 hours per week or more (23 hours per week in CA), are offered a full benefits package, which includes a 401(k) and an employee stock purchase plan; comprehensive medical, prescription, vision and dental coverage with contributions payable on a pre-tax basis; fertility and adoption benefits; life, accident and disability insurance; flexible spending accounts; paid time off; tuition

reimbursement; and an employee discount at our stores, as well as access to many other employee discounts.

In 2011, our full-time medical benefits package was modified under the Patient Protection and Affordable Care Act. The plan now allows for coverage of dependents up to the age of 26, requires no co-pay for preventive doctor's office visits and removed the lifetime maximum on coverage.

Our part-time colleagues are eligible for a limited benefits package that includes medical, hospital indemnity, dental, vision and life insurance that are paid for by the colleague on a pre-tax basis.

Making Healthy Choices

As we help our customers and patients become and



stay healthy, we do the same for our colleagues through a variety of internal wellness programs and initiatives. Our emphasis on a healthy workplace has been repeatedly recognized by third-party organizations.

For example, in 2011, CVS Caremark once again received praise for its proactive approach to workplace health and its investment in programs that help colleagues and their families make better choices about their health and well-being. The Greater Providence Chamber of Commerce and Blue Cross and Blue Shield of Rhode Island gave the company an Exemplary Award – its highest honor – as part of the Worksite Health Awards, which recognize Rhode Island businesses working to promote worksite wellness.

Through our comprehensive wellness intranet portal and our signature WellRewards program, we have a history of success in helping colleagues improve their health in several key areas including smoking cessation, improved rates of mammograms and colon-cancer screenings, prenatal maternity care, physical activity and healthy eating.

Our strategy is twofold: encourage colleagues to be good consumers of health care and help them make healthier lifestyle choices. Colleagues are educated about making better decisions through a variety of resources, including a Care Advocate Team of dedicated nurses, decision support tools, self-directed DVD programs, a quarterly wellness newsletter, health assessments and disease management programs. These programs utilize several methods to help colleagues improve health behaviors, including seminars, coaching, incentives for community weight loss solutions, cafeteria “stop-bys,” online health improvement programs and exercise competitions.

Tens of thousands of CVS Caremark colleagues took advantage of the tools we made available to them in 2011. By engaging with their Care Advocate Teams, answering Health Risk Questionnaires and enrolling in targeted health initiatives, they found ways to increase their control over their own health.

In 2010 thousands of colleagues earned points for healthy lifestyle choices – such as obtaining a flu shot, completing preventive health screenings or

participating in several newly introduced exercise challenges – and qualified for a \$180 premium reduction on their 2011 health insurance through our award-winning WellRewards program.

In 2011 colleagues again participated in the program by taking their “Wellness Review.” That review process was expanded to include a biometrics screening component. *Better By Numbers* also granted colleagues points for finding out their cholesterol, BMI, blood pressure and blood sugar levels, which they could do at onsite locations, MinuteClinic or their primary care physician’s office. To kick off the *Better By Numbers* program, CVS Caremark President and CEO Larry Merlo personally encouraged every CVS Caremark colleague enrolled in the CVS Caremark medical plan to get a free health screening and “walked the walk” by receiving his 2011 screening at MinuteClinic.

Health screenings were not the only component of preventive care the company focused on. The company continued its emphasis on smoking cessation. Of note, 547 colleagues enrolled in the Healthy and Smokefree cessation program in 2011 and 254 of them quit. The initiative’s six-month validated quit rate is 52 percent.

New smoking cessation strategies were developed in 2011 which will be formally launched in 2012. First, CVS Caremark colleagues and family members will be able to earn \$160 or more by participating in a new research study being conducted by the University of Pennsylvania. *The Way to Quit* study is designed to test new ways to help people stop smoking. Additionally, recognizing that tobacco use is a leading health risk, the company’s senior leadership finalized plans for CVS Caremark campuses to become tobacco-free by the end of 2013. On August 1, 2012, our Rhode Island corporate campuses will become the first to take this healthy step.

Destination: Healthy Baby!

In the area of neonatal health, our colleagues and their babies made very significant progress in 2011, through the Destination: Healthy Baby! program. This program is designed to lower the rate of pre-term births, the number of pregnancy-related hospital admissions and the length of admissions to the Neonatal Intensive Care Unit (NICU). Expectant mothers are encouraged to enroll early in their pregnancies. The program provides them access to a personal maternity nurse, support for any special needs during pregnancy, customized maternity education materials and a parenting program for their first year as a parent.

In the third trimester, after completion of a Postpartum Depression Assessment, program participants receive additional materials including an Infant CPR Friends & Family Kit. In 2011, 40 percent of the colleagues covered by our health plans who became pregnant, and 100 percent of NICU admissions, enrolled in the program. As a result, the preterm birthrate for our enrolled colleagues was 10 percent, as compared with the national average of 12.7 percent. And the average length of hospital stay for NICU babies decreased 8.4 percent, down from 16.5 days in 2010 to 15.1 days in 2011, which is an overall reduction of 22 percent since the program began.

“Recognizing that tobacco use is a leading health risk, the company’s senior leadership finalized plans for CVS Caremark campuses to become tobacco-free by the end of 2013.”

Listening to Colleagues, Sharing Feedback

Colleague feedback is an important driver of our evolution as a company. In 2011, we continued to ask colleagues for their thoughts and suggestions in a variety of ways, ranging from our annual engagement survey to our intranet portal for colleague communication where colleagues can comment on stories posted and share stories with each other. Our senior executives conducted numerous face-to-face meetings with colleagues in small settings and in regular Town Hall meetings where they discussed company performance and hot topics. In addition, we continued our monthly series of conference calls for senior leaders, where we encourage a two-way dialogue and share insights into company performance and strategy.

Colleague Engagement Survey

Just as feedback from patients, clients and customers helps us refine our approach to delivering customer service, our annual colleague engagement survey shows us how we're doing from the perspective of our colleagues. It is critically important that our colleagues understand our company's stated purpose and how they and their teams can impact our success. Higher levels of engagement are associated with increased productivity, higher retention rates and a better customer experience – all factors that contribute to our long-term growth and success.

We use the survey results to understand what colleagues value most in their workplace, to identify opportunities for improvement and to track our progress over time. The methodology of the data collection was changed in 2011 to also allow colleagues to provide open-ended comments. Over 13,500 colleagues responded to the request to "Please tell us what it is like to work at this company." Our overall survey response rate was 92 percent.

On key measures of engagement, the 2011 survey found that a significant percentage of colleagues agreed with the statements below:

84%

I FEEL MY WORK
MAKES AN IMPORTANT
CONTRIBUTION TO CVS
CAREMARK'S SUCCESS.

69%

I FEEL LIKE I AM
AN IMPORTANT
PART OF
CVS CAREMARK.

71%

I WOULD HIGHLY
RECOMMEND
CVS CAREMARK
TO A FRIEND SEEKING
EMPLOYMENT.

69%

IT WOULD TAKE
A LOT TO GET
ME TO LEAVE
CVS CAREMARK.

78%

I WOULD LIKE
TO BE WORKING FOR
CVS CAREMARK ONE
YEAR FROM NOW.

82%

I REALLY CARE
ABOUT THE FUTURE
OF CVS CAREMARK.

88%

I AM ALWAYS
WILLING TO HELP
CVS CAREMARK
SUCCEED.

71%

COMPARED WITH
OTHER COMPANIES
I KNOW ABOUT,
I THINK CVS CAREMARK
IS A GREAT PLACE
TO WORK.

This data is collected through anonymous surveys. To ensure anonymity, department-specific results are only reported to managers with five or more direct reports. Managers then work with their teams to develop customized action plans that address key focus areas uncovered by the survey. In 2011, colleagues also provided open-ended comments, which added further depth to this snapshot of colleague engagement.

Recognizing and Rewarding Hard Work

Whether a colleague has gone above and beyond on a special project or makes our company's values a consistent hallmark of their work ethic, CVS Caremark's colleague recognition program ensures that our people feel valued, empowered and instrumental to our collective success.

Paragon Award

Each year, we recognize our company's best and brightest with the CVS Caremark Paragon Award. This award, the highest honor a colleague can achieve within our company, is reserved for individuals who make remarkable contributions on the job or in their community. Our "Paragons," as they are called, have embraced their role in helping people on their path to better health and inspire others to do the same. The example they set each day helps our entire organization succeed. In September 2011, nine colleagues were recognized with the CVS Caremark Paragon Award – two from our PBM division, six from our retail store operations and one from MinuteClinic. In addition to these national winners, 16 colleagues were honored with a prestigious Area-level Paragon Award, along with 700 retail Region and District winners. In total, our nearly 800 Paragon winners represent the top one percent of those eligible to receive the award.

CEO Award

The company recognizes noteworthy accomplishments by non-store colleagues through the prestigious CEO Award. In 2011, the CEO Award was given to 14 colleagues for leading successful major initiatives, teamwork, generating new ideas, increasing revenues and demonstrating leadership and commitment to our purpose and values. The selection process is rigorous and includes input from the individual's supervisor, our management team and the CEO.

Breakthrough Awards

Announced on a quarterly basis, the CVS Caremark Breakthrough Awards recognize those colleagues who not only deliver top-notch results and execution, but in particular those who are innovative in their approach.



As our company strives to reinvent pharmacy for better health, innovation will ultimately be the measure of our success. As such, our Breakthrough Award winners – numbering about 50 in 2011 – are helping prepare our company for the future, and setting an example for each of us to follow.

Values in Action

In 2011 CVS Caremark finished the development phase of a brand new recognition program designed to complement our strategy to reinvent pharmacy with the purpose of helping people on their path to better health. Specifically we want to recognize and reinforce outstanding colleague behavior that demonstrates our company values: innovation, collaboration, caring, integrity and accountability. The Values in Action program, launched in April 2012, is an online rewards system through which colleagues can recognize each other and leaders can recognize any colleague across the company and grant them points that are redeemable for merchandise, travel, vouchers, gift cards or charitable donations.

Colleagues will also be able to nominate one another for a new Values in Action Breakthrough Award. The new intranet-based system will have a dedicated Values in Action home page that will display a real-time newsfeed of all recognition posts and provide visibility to all of the great things CVS Caremark colleagues do. Additionally, it will contain a "leader board" which will prominently display the names of the top recognized and the top recognizers.

Growing Career Opportunities

Whether they work in our stores, call centers, mail service pharmacies, corporate offices, or any other location, all CVS Caremark colleagues receive regular training, which is an important part of the company's culture of lifelong learning and skill development. Nearly 50 training and development programs exist across the company, allowing us to evolve as an organization and to retain and benefit from the expertise of seasoned colleagues who depend on training as an important way to advance their careers. Managers and supervisors actively promote these training opportunities to all colleagues as part of the company's normal course of business and all colleagues completed a minimum of three hours of training in 2011.

Emerging Leaders Program

Since 2001, our Emerging Leaders Program has developed the skills of high-performing store managers, pharmacists, pharmacy supervisors and other field managers who are potential candidates for promotion. Participants attend development sessions focused on leadership competencies and building functional skills and knowledge. They are also provided with on-the-job experiences and opportunities to further enhance their leadership skills. Throughout the development process, they have access to coaches who support their growth as leaders.

Most colleagues who are promoted to field management positions are graduates of the Emerging Leaders Program. In 2011, the program prepared 183 high-performing colleagues for this next step in their careers.

Retail Leaders of Tomorrow

In 2011, we established Retail Leaders of Tomorrow, a high potential leadership development program dedicated to the growth of Managers and Directors in the retail business. The 25 participants in this program were nominated by departmental senior leaders based on performance, potential and when an individual's career aspirations indicate a long term interest in retail. The program is comprised of business leader facilitated sessions, business challenges and one-on-one mentoring with a member of the retail leadership team.

Leadership Forum

Our Leadership Forum was conceived in 2009 as a program that could help us build the next generation of CVS Caremark leaders with a broad understanding of our integrated approach to health care. Leadership Forum participants are selected for their potential to contribute to our culture, to think strategically across our multiple lines of business and to build and maintain relationships across the company that can be leveraged to help us deliver for our customers, patients, clients and plan members. In 2011, 162 high-potential leaders from across the company were selected to participate in our Leadership Forum.

Hiring Our Heroes

In November, 2011, CVS Caremark joined First Lady Michelle Obama and the U.S. Chamber of Commerce at the fourth annual "Business Steps Up: Hiring our Heroes" event held in Washington, D.C. As a Chairman's Circle sponsor of Hiring our Heroes, CVS Caremark participated in job fairs in Chicago, Washington and Hawaii as part of an effort to connect 100,000 veterans and military spouses with employment opportunities – the program's overall goal. Hiring our Heroes is a year-long nationwide campaign to help veterans and their spouses find meaningful employment and we are working to participate in a number of additional job fairs in 2012 and 2013 in support of this effort.

Military spouses and veterans currently work in a wide variety of positions across CVS Caremark, including at CVS/pharmacy retail stores, distribution centers, mail service pharmacies and MinuteClinic walk-in medical clinics inside select CVS/pharmacy stores across the country. The company has also established a resource and networking group called Valor for colleagues who are military veterans and for those currently serving and their supporters. For its effort to date, CVS Caremark was recognized with the U.S. Chamber of Commerce Women Veteran and Military Spouse Employment and Mentoring Award.

Partnering With Communities to Create Job Opportunities

Another area where we continued to invest in 2010 was our collaborative approach to working with nonprofit and government leaders to build recruitment and training programs and create job opportunities in the communities we serve.

When I started college, my goal was to become a school health educator. But when I graduated, the job market was tight and there weren't many opportunities in the field. So I decided to visit the Atlanta Workforce Development Agency for some guidance.

That's when I met with representatives from CVS/pharmacy and learned about the pharmacy technician roles for which they were recruiting. Now I help educate our patients about the products and services available to them at CVS/pharmacy and ensure they get the medication they need, when they need it.

Each day, I see our pharmacists sharing important health and wellness information with our patients. It reminds me why I joined this company – to help people on their path to better health.



Faizah Shirley
Pharmacy Technician



In 2010 we reported to Congress' Joint Economic Committee that we had introduced more than one million youths to pharmacy as a potential career and provided \$4 million in summer internship wages for high school students since 2000. We also participated on the Economic Recovery Advisory Board as part of a subcommittee tasked with advising the White House on workforce development strategies and we provided Department of Labor Secretary Hilda Solis with an overview of our workforce development programs.

The conversation with the Obama administration continued in 2011, as we again engaged with the White House and the Department of Labor on the President's Summer Jobs+ program, a new call to action for businesses, non-profits, and government to work together to provide pathways to employment for low-income and disconnected youth in the summer of 2012.

CVS Caremark pledged to reach out to 100,000 youth in 2012 and to hire 20,000 young adults

between the ages of 16 and 24. Many of the new colleagues will occupy part-time and full-time positions such as pharmacy service associates, technicians, cashiers and interns in a variety of corporate functions.

Our 2011 discussions with America's Promise Alliance resulted in our CEO Larry Merlo attending the Building a Grad Nation Summit in early 2012. The Summit brought together community groups, educators, local and state leaders, nonprofit organizations, businesses and youth. Participants discussed the progress being made and the remaining challenges in the nation's efforts to increase high school graduation rates and prepare young people for post-secondary education and a career. Merlo highlighted the model behind one of our flagship employment programs, Pathways to Pharmacy, which has a successful history of introducing tens of thousands of young people to careers in pharmacy.

Our seven Regional Learning Centers (RLCs) are at the center of another successful training model. Several of

these innovative facilities are fully-operational mock-ups of actual CVS/pharmacy stores, allowing our colleagues and community partners to receive instructor-led training in a “real-world” environment. The program continued to support the training and development of more than 8,000 retail colleagues in 2011. The RLCs – located in Massachusetts, New Jersey, Washington, DC, Ohio and Michigan – are also used by organizations that we partner with to provide job-seekers with valuable employment skills and job opportunities. In fact, in 2011, we hired 617 new colleagues as a result of these training partnerships. In 2012, we plan to open an eighth center in New York City.

Through the Welfare to Work program, we have hired more than 75,000 people since 1996 who had been on public assistance prior to joining our workforce. In 2011, more than 5,000 people were hired through this program. We are proud to have a high rate of retention of these colleagues that is approximately double the rate of the average new retail colleague.

Mature Workers

In 2011 we continued to invest in our Mature Workers program, Talent is Ageless, an initiative designed to recruit and retain colleagues who are age 50 or older. Over the past two decades, CVS Caremark has actively increased the number of colleagues who are 50 or older through our mature worker programs and partnerships with groups such as AARP, National Council on Aging, American Society on Aging, Experience Works, Senior Community Service Employment Program, and others.

Today, colleagues over the age of 50 represent approximately 19 percent of our workforce. Some of our mature workers have been with the company for years, with many completing their 40th, 50th and even 60th year of service. Others have joined the company as a second career – sometimes choosing to work just part-time.

Workplace Policies

As an employer, we maintain a set of policies designed to ensure that CVS Caremark workplaces are welcoming, inclusive and productive places where all colleagues feel safe and empowered to contribute to our purpose. Our anti-harassment, anti-discrimination and other policies are embedded in our Code of Conduct, which all colleagues sign when joining the company. While only a small number of CVS Caremark colleagues are represented by unions – approximately six percent – the right to organize is also embedded in our company policies. We enjoy excellent, professional and productive relationships with our union colleagues and their representatives and we recognize the right of our employees to decide whether or not to join a union.

Health and Safety

Providing a safe workplace for our colleagues is an integral part of the way we do business. CVS Caremark takes the safety of our colleagues very seriously, knowing that a workplace with sound health and safety practices leads to a safe work environment for colleagues.

Our Enterprise-wide Safety Program lays out our guiding principles. Best practices and safety awareness training have led to a steady reduction in colleague injury rates over time. In addition, our team of safety professionals spends time in the field educating colleagues on safe practices in the workplace. We believe these personal interactions foster a safe workplace culture and engage our colleagues to make good decisions. CVS Caremark ended 2011 with reduced employee injuries compared to 2010 and no employee fatalities.

In 2012, the Safety Team will continue to look for opportunities to improve best practices and increase awareness among colleagues of the importance of their role in creating a safe workplace.



Photo courtesy of The Frederick News-Post.

Peggy Powers, of Walkersville, MD, turned 90 in 2011 and she continues to work in our CVS/pharmacy store there. She has been working in the retail pharmacy industry for 68 years and personifies our commitment to mature workers.

In far too many of the multicultural communities we serve around the country, our customers have difficulty making their health a top priority. A number of barriers often get in the way: their own busy schedules, insufficient access to quality care and a lack of awareness or education about some of the risk factors they may be facing.

In 2011, we provided free and low-cost medical screenings and services to more than 162,000 people.

And in 2012, we're on track to offer more than \$21 million worth of free health screenings in multicultural communities through CVS/pharmacy.

I'm proud to play a key role in helping people access quality preventive care.

I'm proud to work for a company that supports our efforts to help our colleagues on the path to better health... so that we can do the same for our customers.



Dawn-Marie Gray

Senior Marketing Manager, Multicultural



A COMMITMENT TO DIVERSITY

At CVS Caremark, we pride ourselves on having a diverse workforce and on our commitment to serving multicultural populations. In order to be a pharmacy innovation company, we rely on the different backgrounds and viewpoints of our colleagues. People from all walks of life, cultures and backgrounds make up the mosaic of professionals who work here. We celebrate differences in age, gender, family status, race, ethnicity, religion, disability, sexual orientation, appearance, thought and mannerisms. We have championed a number of programs and policies that underscore our commitment to diversity, such as our support of colleague resource groups, direct support of the multicultural communities within which we do business and a robust and evolving supplier diversity program.

Diversity Within

Over the past five decades, our company has grown into a workforce of 200,000 employees. In many respects the diversity within our company is a reflection of how diverse our offerings are and how we have expanded to serve so many different customers and communities.

Leadership in Diversity

The company continues to have an active Diversity Management Executive Steering Committee, which was formed in 2010 and is chaired by our CEO. The group provides leadership direction for the corporate strategic diversity management plan and periodically reviews the progress against goals for workforce representation, colleague engagement, talent development and marketplace diversity. The committee is responsible for: overseeing the embedding of strategic diversity management into the business agenda; serving as a visible and verbal champion of the company's diversity management strategy; utilizing diversity management as a course of business; and

appointing and approving recommendations for the Diversity Management Leadership Council.

The Council, formed in 2010, meets quarterly and is tasked with coordinating, informing, championing, executing, measuring and reporting on the operational elements of the diversity management strategy as set forth by the Executive Steering Committee. The group, which is made up of 14 senior leaders is also focused on ensuring the effectiveness and integration of workforce, workplace and marketplace diversity efforts.

Colleague Resource Groups

One of the ways that we support and celebrate the diverse workforce we have at CVS Caremark is through the Colleague Resource Group (CRG) program. Colleagues who wish to form CRGs are sponsored by the company and encouraged to represent CVS Caremark within the various communities we serve. These groups remained vibrant and active in 2011: Asian, African American (two), African American-Hispanic, Latino (four), Portuguese-Latino, Women (four) and Veterans. Additional groups – for LGBT and colleagues with disabilities – are expected to form in 2012.

CVS Caremark Workforce

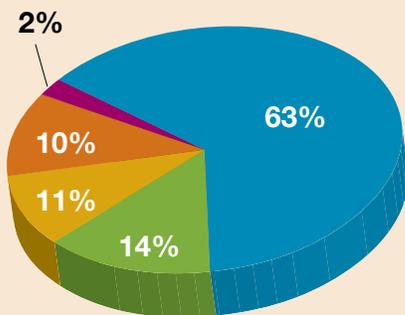
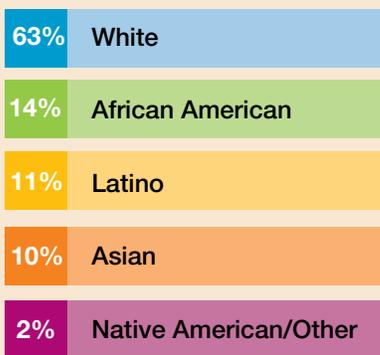
CVS Caremark continues to make progress in diversity management and was recognized as one of DiversityInc's 25 Noteworthy Companies for 2012. All data shown is for 2011.

- Ethnic minorities comprised eight percent of the CVS Caremark Board of Directors. Women represented 25 percent of the Board of Directors. All members of the Board of Directors were over age 50.
- Women comprised 66 percent of the total workforce

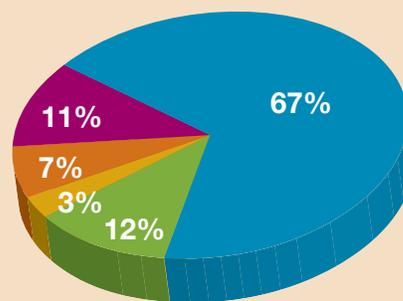
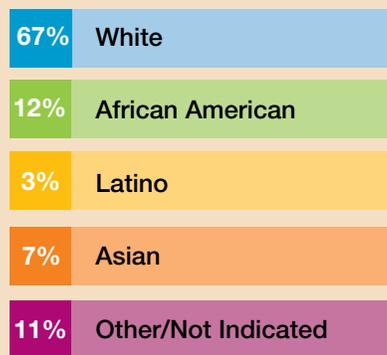
at CVS Caremark, 57 percent of managers, and 33 percent of senior leaders. Senior leaders include Vice Presidents and above.

- Ethnic minorities comprised 37 percent of CVS Caremark's total workforce, 30 percent of managers, and seven percent of senior leaders.
- Ethnic minority (42 percent) and female (63 percent) new hire percentages were on par with or exceeded external best practice benchmarks.

CVS Caremark* Employee Composition

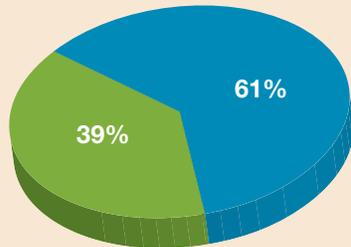
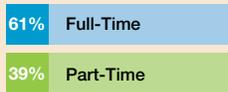


MinuteClinic Employee Composition

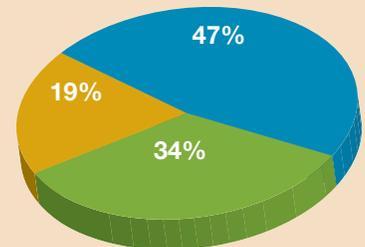
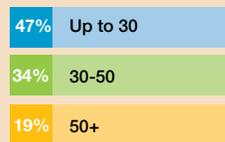


*Includes CVS Caremark permanent employees only, numbering 198,216; CVS Caremark does not engage a significant number of temporary employees. Of the total number of employees, approximately 89.9 percent are engaged by the retail business and 7.6 percent by the pharmacy benefit management business; 2.5 percent are in corporate positions. Additionally, MinuteClinic employees number 1,823.

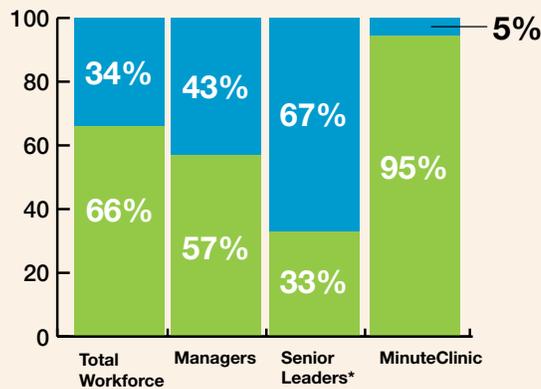
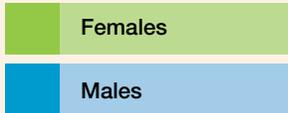
CVS Caremark
Employees by Employment Type



CVS Caremark
Employees by Age Group

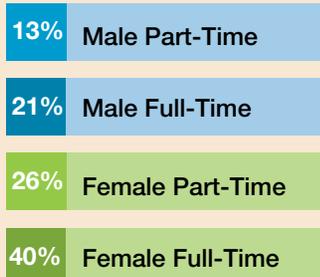


CVS Caremark and MinuteClinic
Employee Composition
(by gender)



**Senior Leaders include CEO and CEO Direct Reports, and two levels below. Senior Leaders are 93 percent white, 2 percent African American, 2 percent Asian, 2 percent Latino and less than 1 percent Native American and others.*

CVS Caremark
Employee Composition
(by employment type and gender)



A Health Care Evolution for Multicultural Communities



We continued our focus in 2011 on addressing health disparities in the multicultural communities we serve. In July, all CVS/pharmacy locations became technologically capable of providing their customers with prescription information in 15 languages other than English. Additionally, the “To Your Health/A Su Salud” program offered 806 free health screening events in Atlanta, Chicago, Dallas-Fort Worth, Los Angeles, Miami, Philadelphia and Washington, DC. Many of these events were held in multicultural communities and focused on the importance and benefit of preventive health care when addressing health disparities that significantly and disproportionately impact diverse communities.

All told, 162,201 people received screenings – worth approximately \$150 each – that checked blood pressure, cholesterol, bone density, vision and for signs of diabetes. Doctor consultations and medication reviews with a CVS pharmacist were also made available. Dental and chiropractic screenings and referrals for mammograms and pap smears were offered in select locations.

The health screening program detected health concerns in a high percentage of participants. The approximately 485,000 tests performed revealed that, of those tested:

- 36 percent had high cholesterol;
- 42 percent had a high to moderate risk of developing osteoporosis;
- 40 percent had hypertension;
- 27 percent had blood sugar levels that indicated a risk for diabetes;
- 57 percent had trouble with their vision.

The company plans to continue these screenings in 2012 through the launch of Project Health (Proyecto Salud in Spanish), a wellness program that is expected to deliver more than \$21 million worth of free health screenings to multicultural communities. Like To Your Health/A Su Salud, the program will offer an array of free comprehensive health risk assessments and screenings during five disease-specific national health awareness months from Heart Health Month in February and Minority Health Awareness Month in April to Diabetes Awareness Month in November. Over 1,000 Project Health events are scheduled for 2012 in Atlanta, Chicago, Dallas-Fort Worth, Detroit, Houston, Los Angeles, Miami, New York City, Philadelphia and Washington, DC. Events are also planned at CVS/pharmacy locations in Puerto Rico.

All chartered CRGs are required to submit an annual business plan in order to receive budgetary support from the company. Beyond discussing company issues and opportunities, our CRGs were active in local communities in 2011, contributing nearly 1,300 volunteer hours over the course of the year. Internal program development is another focus. In 2011, the Women’s Success Network, one of our largest CRGs, launched a pilot mentoring program in partnership with the company’s senior leaders and with support from the Human Resources department. The mentor program paired 27 mentors

with their respective mentees and a second matching phase is expected to launch in the third quarter of 2012.

Diversity Training

Colleagues don’t have to be part of a CRG, however, to become familiar with the company’s stance on diversity. All new colleagues are introduced to the company’s diversity management philosophy during the new hire orientation process, and diversity training is also offered throughout the year for various levels within the organization.



In early 2012, CVS Caremark collaborated with LucasFilm to sponsor screening events of the film company's movie, *Red Tails*. In celebration of Black History Month, over 1,500 public school children took a field trip to see the film, which told the legendary tale of the Tuskegee Airmen, an all black World War II fighter squadron. The students were also provided with an online curriculum that helped them understand the historical and inspirational significance of the film.

Also in 2011, we continued to deploy the “Diversity – the Competitive Advantage” curriculum, an online diversity class for leaders that enables participants to build their skills in identifying and managing diversity as a core strength of their teams. The expansion of the program included a two-part web-based seminar that gave 165 managers and supervisors and 485 directors the specific tools they need to meet and exceed their personal and professional goals in the area of diversity management. These web-based courses were added to the curriculum in addition to the company’s existing instructor-led diversity management course in order to make the content accessible across our entire company via LEARNet, our intranet learning portal. The program is slated to be expanded further in 2012 to include all colleagues.

Extending Diversity to the Communities We Serve

Our commitment to diversity extends beyond how we run our business internally. We also believe that we have an important role to play in fostering that same level of inclusiveness and celebration within the communities we serve.

UNCF

Our partnership with UNCF (the United Negro College Fund) was announced as part of our celebration of Black History Month in 2011. As part of that partnership,

CVS/pharmacy committed \$50,000 in support of UNCF initiatives, including the UNCF Campaign *For Emergency Student Aid*, which helps thousands of recession-impacted college students at 39 historically black colleges and universities complete their senior year and receive their degrees. The donation from CVS/pharmacy assisted students in paying for tuition, books and dormitory fees, helping to ensure their graduation.

Our UNCF partnership also included promotion through the month of February 2011 of UNCF and Black History Month at more than 7,300 CVS/pharmacy stores nationwide through in-store radio announcements featuring UNCF's iconic motto, “A mind is a terrible thing to waste.®”

Hispanic Heritage Foundation

In late 2011 we also partnered with the Hispanic Heritage Foundation (HHF) to identify, inspire and prepare young Latinos to join health care fields, through a new Health Care category of the prestigious HHF Youth Awards program. CVS Caremark and HHF recognized more than 30 outstanding high school seniors of Latino descent for their academic performance, community service and interest in pursuing a career in health care. The recipients, three from each of 10 regions across the country, received educational grants from CVS Caremark, as well as exposure to experts in health care fields and mentoring, training and internship opportunities as they head off to college.



CVS Caremark CEO Larry Merlo (left) participated in the opening ceremonies at the NUL Conference held in Boston in 2011.

After receiving the awards, students are also directed into HHF's leadership cycle which includes the Latinos On Fast Track (LOFT) program, which provides leadership training and workforce development in various fields including health care. The students are also featured in public awareness campaigns to provide inspiration to other youth and shatter negative stereotypes about Latinos.

National Urban League

As a title sponsor, CVS Caremark welcomed thousands of delegates to the 2011 National Urban League (NUL) Conference held in Boston. Like the Urban League, we value diversity and share a common belief in the importance of revitalizing local communities and creating a more diverse workforce. In deepening our partnership with the Urban League, we hope to leverage their grassroots reach into multi-cultural communities with the goal of helping people discover career opportunities with us.

During the NUL Conference, CVS Caremark participated in the Career Expo and had a booth at the Exhibition Hall where conference-goers received free health screenings and consultations with pharmacists and nurse practitioners, got free makeovers and received free samples of CVS Brand products.

Supplier Diversity Program

Our Supplier Diversity Program complements the CVS Caremark commitment to sound business practices and social responsibility in the communities we serve and recognizes the critical role diverse-owned businesses play in our continued success and in providing outstanding service and solutions to our customers and clients. CVS Caremark's corporate culture encourages support of the program to help ensure that all diverse businesses are given a fair opportunity to do business with us.

In order to qualify for our Supplier Diversity Program, the supplier should meet the definition of a Minority Owned, Woman Owned, Veteran or Disabled Veteran Owned, Disadvantaged Owned, LGBT Owned, HUB-Zone Owned, 8(a) Owned Business Enterprise and Small Business Enterprise or be certified by authorizing bodies such as the National Minority Supplier Development Council, Women's Business Enterprise National Council, Small Business Association or by a recognized government agency.

We spent more than \$128 million within the diverse supply chain in 2011 and we are dedicated to continuing to develop procurement opportunities with diverse suppliers.



CVS Caremark welcomed thousands of delegates to the 2011 National Urban League Conference held in Boston.

We have also taken our Supplier Diversity Program to a new level by implementing a Tier II Diverse Supplier Program. In addition to monitoring our purchases to ensure we have diverse suppliers providing quality goods and services (Tier I), we now monitor our large valued suppliers to ensure the inclusion of diverse suppliers within their own supply chain (Tier II). This further illustrates that CVS Caremark is not only committed to the use of diverse suppliers in our organization, but also to doing business with suppliers who are committed to the use of diverse suppliers in their own supply chains as well.

In 2011 this program was further enhanced to allow for better tracking of how much is spent within Tier II and in the way the program measures and accounts for diversity in the secondary supply chain. In order to gain more visibility for the CVS Caremark Supplier Diversity Program and identify additional diverse suppliers, the company participated in numerous supplier diversity events in 2011 hosted by the following organizations:

- South Florida Minority Supplier Development Council
- Chicago Minority Supplier Development Council
- Keeping the Promise
- National Gay and Lesbian Chamber of Commerce
- Women’s Business Enterprise National Council
- Greater New England Minority Supplier Development Council
- United States Hispanic Chamber of Commerce
- National Minority Supplier Development Council
- Cosmopolitan Chamber of Commerce
- City of Chicago Treasury Office

CVS Caremark is a member of the National Minority Supplier Diversity Council (NMSDC), NMSDC Health Care Industry Group, NMSDC Retail Industry Group, Women’s Business Enterprise National Council, Association for Disabled Veterans Business Enterprises, United States Hispanic Chamber of Commerce, the National Gay and Lesbian Chamber of Commerce and Keeping the Promise.

In 2011, the Supplier Diversity Program also became more sophisticated with the launch of an online portal that diverse suppliers can use to register with us. High-tech solutions were also deployed to better track and report on spending within the diverse supply chain and on the proper certification of diverse vendors.

Diverse Retail Pharmacy Program

The Diverse Retail Pharmacy Program is a component of the CVS Caremark Supplier Diversity Program. The pharmacy program encourages diverse-owned, independent retail pharmacies to become certified diverse-business enterprises in order to expand and establish potential business opportunities with CVS Caremark. Through this program, CVS Caremark actively seeks to establish business relationships with diverse-owned retail pharmacies that want to sustain and grow their businesses. During 2011, CVS Caremark continued to identify diverse retail pharmacies for inclusion in the program.



I like working for a company that cares. It means a lot to me that they encourage us to support organizations like the Easter Seals, which shares our purpose of putting people on the path to better health.

Every year my family and friends help me raise money for families - like the one I'm pictured with here - through the Easter Seals Walk With Me event, which I got involved with a few years ago. At the time, I was looking for a way to give back and my supervisor suggested I join the Walk With Me team.

I love kids, and I want to help them. The money my colleagues and I raise goes such a long way to making life better for children across the country, and I'm proud to be a part of that.

Christopher

Christopher Gruttadauria
MinuteClinic, Recruiting Manager

SOCIAL COMMITMENT AND PHILANTHROPY

CVS Caremark recognizes that the best way to be part of a community is to get involved and give back. For many of our customers and partners, times have been truly tough and help on their path to better health is more appreciated than ever. CVS Caremark's earnest commitment to the health of the communities we serve continued in 2011, resulting in more than \$48 million in community investments including: more than \$1 million in employee volunteer hours; \$20 million in in-kind support and \$27 million in monetary contributions to causes that impact the lives of the people we serve every day.

CVS Caremark Charitable Trust

The CVS Caremark Charitable Trust is at the very heart of our philanthropic giving program. In 2011, the Trust grants, which totaled \$4.3 million, continued to align with our two key focus areas: health care and children. In all, 98 non-profit organizations across the country in 2011 were supported with new and multi-year grants from previous years.

With nearly 50 million people without health insurance in the United States, the CVS Caremark Charitable Trust focused on the issue of access to health care, in addition to supporting families and children with disabilities. Grants totaling approximately \$1.3 million funded services ranging from improving primary care access and providing health care for the homeless to supporting other underserved communities.

There are literally thousands of stories that exemplify how the Trust helps people on their path to better health. In Lowell, MA, for example, we funded the Lowell Community Health Center allowing them to proceed with the opening of a new health care facility that will provide high-quality, affordable health care services to the city's most needy residents. Three hundred miles south, homeless families devastated by untreated medical conditions in Lawrenceville, NJ, are now receiving care through funding we provided to the Homefront organization. And in Atlanta, Georgia, thanks to the Trust, seniors who return home from the hospital are not left to face their recovery alone. They now receive the transitional care they need through the Visiting Nurse Health System, which strives to avoid inconsistent disease self-management, lack of follow-up care and repeat hospitalizations.

The CVS Caremark Charitable Trust made strategic investments in 2011 of nearly \$3 million dollars in new

and multi-year grants to support high-impact programs aimed at helping children of all ages and abilities. For example, we funded programs like the Mailman Center at the University of Miami, which focuses on childhood autism. In 2011, the Trust grant supported 150 families with children at the center, providing much needed language interventions. From Wichita to Fort Wayne, from Jacksonville to Boston, children were helped by organizations which aligned with All Kids Can®. Many of these programs were focused on improving the quality of life for children by strengthening parental support and abilities. For example, in Pelham, AL, the Arc of Shelby County can now provide social workers to families in need. These health and welfare professionals, who are familiar with community resources, serve as family advocates, teaching their clients how to access needed financial assistance and educational programs. And in Waterford, MI, parents of infants and toddlers with developmental disabilities are being taught important early intervention strategies through the Oakland School Education Foundation.

Volunteer Challenge Grants

With CVS Caremark colleagues across the country volunteering thousands of hours for community service projects, the CVS Caremark Charitable Trust amplifies the positive impact they make through the funding of grants for volunteer service. These grants not only help local nonprofits but also encourage colleague volunteerism. In 2011, the Trust distributed 185 grants.

CVS Caremark Employee Scholarships

The Trust funds college scholarships for children of CVS Caremark colleagues. An independent panel of judges reviews applications and chooses students based on academic achievement and other factors, including talent and leadership qualities, extracurricular activities, work experience and community service. In 2011, we funded scholarships for 180 college-bound children of our colleagues, totaling nearly \$500,000.

CVS Caremark All Kids Can®

All Kids Can isn't just the title of our signature philanthropic program; it is the belief at the very core of our mission to help children be the best that they can be. The goals of All Kids Can are: to support children with disabilities by raising awareness in schools and in

local communities about the importance of inclusion; creating greater opportunities for physical activity and play; and providing access to medical rehabilitation and related services.

We know that all kids can do just about anything and in 2011 we were there to support them on their journey. A program of CVS Caremark and the CVS Caremark Charitable Trust, All Kids Can specifically helps community-based programs that focus on promoting inclusion and helping children with disabilities learn, play and succeed. An analysis of the program's direct and indirect impact showed that an estimated six and a half million people benefitted from the full reach of All Kids Can in 2011.

For example, we partnered with the Boston Red Sox on the All Kids Can Batting Camps program for New England children with disabilities. The program provides the opportunity for Challenger League, Miracle League and inclusive teams to spend a day at Fenway Park, receive on-field batting practice, have lunch in the Red Sox dugout, meet Wally the mascot, receive a VIP tour and attend the evening game. In 2011, we held our first ever baseball camp for disabled veterans, creating a similar adult batting program and experience.

Similarly, we partnered with the New England Patriots for the fourth year on the CVS Caremark All Kids Can Patriots Day. This year, we paired former New England Patriots players with youths from Easter Seals Massachusetts and other community organizations for a skills camp held at Gillette Stadium. Participants ranged in age from five to 21 years and came from across Massachusetts and Rhode Island to participate in warm-up and stretching exercises with the Patriots alumni, experience cone-running drills and receive instruction on how to block, kick and throw.

In the area of medical rehabilitation and related services CVS Caremark donated \$25,000 to Children's Hospital Boston through the Red Sox "Saves" and "Extra Inning" charitable initiatives, celebrating a \$1 million milestone. Over the last five years, funds donated derive from the CVS Caremark Charitable Trust and the CVS Caremark All Kids Can Program and support the Hospital's Cerebral Palsy Program and its Center for Communication Enhancement.



Constance Brown Photography

West Roxbury, MA residents Sheri Miami and 9-year-old son Luca (left of photo) pose with friends Kristin Macchi and 8-year-old son James Macchi of Jamaica Plain, MA in front of an oversized New England Patriots helmet at the 4th annual CVS Caremark All Kids Can Patriots Day. The event, which included children from Easter Seals Massachusetts and other children with disabilities from Massachusetts and Rhode Island communities, took place in Foxboro in the Dana Farber Field House where the New England Patriots practice. Through the event, children and teens with disabilities worked with former Patriots players on blocking, kicking, throwing and cone-running drills.

Specifically, our support enhanced the functional mobility initiative – a unique multidisciplinary area of service recognized nationally and internationally for assisting children with cerebral palsy and other related neuromuscular disorders and intellectual disabilities that often accompany cerebral palsy. Funds earmarked for the Hospital's Center for Communication Enhancement targeted the development of electronic learning tools for children with complex communication needs, especially those with autism and cerebral palsy, who have a relatively short opportunity to maximize learning.

To celebrate our partnership, each year a hospital patient from one of the programs we fund is invited to throw out the ceremonial first pitch before a Red Sox game at Fenway Park. The child is also invited to join

CVS Caremark leaders, as well as doctors from the hospital, on the field for a pre-game check presentation ceremony.

Children's Hospital of Philadelphia also benefitted from our support receiving \$105,000 for robotic rehabilitation equipment, which included: a motor-assisted lower extremity device designed to assist patients with weakness and improve their ability to walk; and an upper extremity device that uses robotic-driven computer simulation to facilitate motor movements, helping patients regain functional skills.

In addition to our on-the-ground support of numerous nonprofit organizations, our online presence served as a virtual community for many of those we have helped.



Jacob, 12, of Randolph, Vermont created “Cow a Color World” as part of the 2011 All Kids Can CREATE program that, in concert with VSA, invited young artists with and without disabilities to submit a piece of artwork under the theme, “Imagination Across America.”

On Facebook, for example, we more than tripled the All Kids Can page’s fan base. Further underscoring that sense of community online, 2011 saw the launch of the program’s blog as well. The All Kids Can blog continues to provide a trusted place where experts, parents, caregivers and members of the community share ideas and support.

CVS Caremark All Kids Can National Partners

Easter Seals

Every year, millions of young children with disabilities or at risk of developmental delays enter school already far behind other children. Many never catch up. By identifying and treating a delay early on, kids with autism and other disabilities have the best chance of succeeding in life and developing on par with their peers. As the nation’s leading nonprofit provider of autism and early intervention services, Easter Seals knows the impact early intervention services can make to strengthen children’s physical, social, emotional and intellectual abilities well before kindergarten.

In 2011, for the sixth year, CVS Caremark was the National Premier Sponsor of Easter Seals *Walk With Me*, Easter Seals’ national signature fundraising event that raises millions each year to help change the lives of people living with autism and other disabilities. CVS Caremark has provided nearly \$7 million in support of

Walk With Me since 2006, when the company became the national premier sponsor of the event and chose Easter Seals as a national partner in its All Kids Can program. In addition, through CVS Caremark’s *Walk With Me* program, \$4.15 million has been raised by nearly 20,000 CVS Caremark colleagues nationwide.

VSA

CVS Caremark All Kids Can teamed up again in 2011 with VSA, the international organization on arts and disability, to support inclusive arts education with the 2011 All Kids Can CREATE student artists program. The annual national initiative invites students, ages five to fifteen, to submit artwork to be showcased in a national exhibit in which each state and the District of Columbia are represented. The All Kids Can CREATE for 2011 invited young artists with and without disabilities to submit a piece of artwork under the theme, “Imagination Across America.”

The collection of submissions became a national touring exhibition featuring a total of 102 pieces of artwork, representing two student artists from each state and the District of Columbia. It debuted in Washington, D.C. on June 15, 2011 and CVS Caremark brought 10 artists, their families and five of their teachers to the event.

An expert panel of judges, including artists and art educators, selected the 102 pieces of artwork out of more than 4,700 entries submitted from artists

across the country. All of the artwork submitted, from paintings to sculptures to photographs, were also featured in an online gallery.

The All Kids Can CREATE exhibition is just one part of VSA and CVS Caremark's yearlong partnership, which also included support of state VSA affiliates that encourage learning and community engagement through artistic expression. Strategic grants at the state level also support artist-in-residence programs in schools that expand access and document learning through the arts for students with disabilities. CVS Caremark employees also participate by volunteering in activities in their communities and schools to help build inclusive environments.

Disaster Relief

Unfortunately 2011 was not free of natural disasters, but CVS Caremark employees and the Charitable Trust gave nearly \$450,000 toward disaster relief, easing the heavy burden of tragedy for many.

In March, after a powerful earthquake and tsunami hit Japan, the CVS Caremark Charitable Trust donated \$100,000 to the American Red Cross to support relief efforts there. We followed up with another donation of \$87,648 to match the same amount our CVS Caremark colleagues personally donated through a dedicated web-based portal we established in response to the disaster.

The following month we announced a donation of \$75,000 to the American Red Cross in support of relief efforts in Alabama for communities impacted by tornadoes. In addition, local CVS/pharmacy locations distributed \$130,000 in free water, ice and other supplies to residents of those communities. And in Tuscaloosa, which experienced some of the worst tornado damage, CVS/pharmacy brought in a mobile pharmacy trailer to help ensure that residents continued to have access to their prescribed medications.

We donated \$75,000 to the American Red Cross following Hurricane Irene in support of relief efforts for impacted communities on the East Coast. In addition, CVS/pharmacy distributed over \$30,000 in free water,



Boston Red Sox Hitting Coach Dave Magadan works with Joey Shortsleeves on his swing at Fenway Park. Shortsleeves, of Biddeford, ME was one of 10 players from the West Biddeford Little League Challenger Division team who participated in a 2011 CVS Caremark All Kids Can Baseball Camp at the park.

ice and other supplies to local residents in Manteo, NC and Margaretville, NY – two hard hit communities.

Because the CVS/pharmacy in Margaretville sustained catastrophic water damage, the building had to be torn down. In order to ensure that the community continued to have access to pharmacy services, CVS/pharmacy made daily prescription deliveries to Margaretville from the next-closest CVS, which was approximately 30 miles away. CVS/pharmacy also brought a mobile pharmacy trailer to West Lebanon, NH as a temporary replacement for another store that was closed indefinitely due to water damage.



Sue Bruce Photography

2011 CVS/pharmacy “Researching a Cure” campaign brought in more than \$4.3 million for ALS research. The celebration took place at Fenway Park in Boston just prior to the Boston Red Sox versus New York Yankees game.

Seen in the photo from left to right are: President and Chief Executive Officer of CVS Caremark, Larry Merlo; Executive Vice President of CVS Caremark, Jon Roberts; Former NFL Football Player, ALS patient and Celebrity Spokesperson of the CVS/pharmacy “Researching a Cure” campaign, Kevin Turner; President of ALS Therapy Alliance, Dr. Robert Brown; Directors of ALS Therapy Alliance, Dr. Merit Cudkowicz, Dr. Larry Hayward and Dr. Robert Horvitz; Regional Director of Real Estate for CVS Caremark, ALS patient and Co-chair of the CVS/pharmacy “Researching a Cure” campaign, Treg Charlton; ALS patient and Co-chair of the CVS/pharmacy “Researching a Cure” campaign, Barry Winovich; and Boston Red Sox Ball Girl.

CVS Caremark Corporate Giving Programs

WWF

We continue to grow our partnership with the World Wildlife Fund (WWF). In 2011, the CVS/pharmacy photo team partnered with WWF to celebrate their 50th Anniversary as the exclusive sponsor of the “Life Grows On” photo contest, which launched on Earth Day 2011. The contest was aimed at raising awareness of species and land conservation issues and sought photos in three separate categories: wildlife, wild places and people connecting with nature. The winners in each category received

a Polar Bear expedition in Churchill, Canada. In addition, CVS Photo created a customizable photo collage poster for CVS/pharmacy customers including photos of endangered species taken by WWF field photographers. Five percent of sales were donated to WWF with a minimum guarantee of \$10,000 in 2011.

USO

While our community work is focused on services that directly support children with disabilities and provide access to health care for underserved populations, CVS Caremark has a strong commitment to supporting those who work hard every day to serve and protect us and our country.

Over the years, we have provided charitable support to military and veteran-focused organizations, including the Air National Guard, Fisher House and Operation Military Embrace. Most recently, we launched a partnership with the United Service Organizations (USO) and worked with them on several initiatives to support our troops in 2011. The USO is a nonprofit, congressionally chartered private organization with a mission to lift the spirits of America's troops and their families through its many programs and services.

We partnered with Operation USO Care Package for two service projects where our colleagues came together to create care packages of CVS Brand products for troops stationed in Afghanistan and other areas abroad. Through both events, colleagues made about 13,000 care packages and CVS/pharmacy donated more than \$210,000 worth of personal care items and snacks. In addition, to mark Veteran's Day, and in honor of our military heroes, CVS/pharmacy donated \$3 to the USO for every flu shot given at CVS/pharmacy and MinuteClinic during that week, which resulted in a \$50,000 contribution.

ALS Therapy Alliance

Since 2002, our CVS/pharmacy customers and colleagues have participated in our annual in-store fundraiser benefiting the ALS Therapy Alliance. This consortium of scientists and researchers is working on a cure for amyotrophic lateral sclerosis (ALS), a nervous-system disorder that affects 25,000 Americans. There is no known cause or cure for ALS, which brings about a progressive degeneration of motor nerves in the brain and spinal cord, leading to paralysis and death, typically within three to five years of diagnosis.

In 2011, the 10th annual CVS/pharmacy in-store fundraising campaign, "Researching a Cure," provided \$4.3 million to boost ALS research. The most recent fundraising efforts – which included celebrity support from former New England Patriot and Philadelphia Eagle Kevin Turner and Grammy-nominated country music star Ty Herndon – brought the total amount raised by CVS/pharmacy colleagues and customers for ALS research to more than \$27 million over the campaign's 10 year history.

St. Jude Thanks and Giving Campaign

Funds raised by CVS/pharmacy colleagues and customers through our annual in-store fundraiser supported St. Jude Children's Research Hospital and contributed \$6 million to the *Thanks and Giving* campaign, now in its eighth year. The campaign supports the CVS Caremark Rehabilitation Services Center at St. Jude Children's Research Hospital, where children with deadly diseases, like cancer, work to overcome developmental, cognitive or physical impairments that result from their illnesses.

In the world of health care, St. Jude Children's Research Hospital is unlike any other pediatric treatment and research facility. Our partnership with St. Jude, dating back to 2004, has included the development of the CVS Caremark Rehabilitation Services Center, which opened its doors in 2009. This facility plays a critical role in helping St. Jude provide care that enhances children's quality of life during treatment for catastrophic diseases, providing more than 8,000 visits each year and extending the hospital's ability to care for children during and beyond their treatment.

Volunteerism

In 2011, we worked to provide additional resources and opportunities for our colleagues to help their communities and launched the new CVS Caremark Community Crew volunteer and employee giving portal, making it easier to track individual and team community impact and allowing colleagues to enroll in payroll deduction to support nonprofit partners.

Similar in concept to Facebook or LinkedIn, this internal social media platform allows colleagues to create a profile, search for and track volunteer activities, enroll in payroll deduction and connect with colleagues to create group events. As a result, we saw an increase in colleague community engagement and support in 2011, with thousands of CVS Caremark employees donating more than \$1.2 million worth of hours toward a long list of volunteer initiatives.

Employee Relief Fund

The spirit of caring established by the company externally is also represented internally through the launch of the CVS Caremark Employee Relief Fund (ERF). Established with an initial donation from



In 2011, the CVS Caremark Charity Classic generated nearly \$1.2 million for local charities, including Save the Bay.

CVS Caremark of \$400,000, the ERF is also funded through employee payroll contributions. Colleagues began supporting the ERF during the company's 2011 Annual Giving Campaign and to date, nearly 1,300 employees have supported the fund.

The ERF provides short-term, immediate financial relief to employees who have suffered significant hardship as a result of a natural disaster, family death, medical emergency or other unforeseen event.

Charitable Events

To raise awareness and funds for nonprofit organizations supporting children, families, education and wellness in our home region of New England, we also sponsor charitable events.

CVS Caremark Charity Classic

The CVS Caremark Charity Classic is Rhode Island's largest charitable sporting event and hosts some of the best PGA and LPGA professional golfers in the world. Funds generated by the tournament, launched in 1999, are distributed to area nonprofit organizations that provide vital funding to a range of programs serving children, families and people in transition throughout Southeastern New England.

In 2011, the CVS Caremark Charity Classic generated nearly \$1.2 million for local charities, bringing the total

funds raised since its inception to more than \$15 million. Funds raised by the 2011 event supported the important missions of a range of charities, in turn, touching the lives of people of all ages, backgrounds and abilities. The Charity Classic provided significant funding to target critical needs within the community from helping the Good Neighbor Energy Fund, which provides energy assistance to Rhode Islanders who are unable to pay their energy bills and do not qualify for federal or state funds; to assisting the Autism Project of Rhode Island with programs that improve the education and lives of individuals with autism; to supporting the San Miguel School in Providence in offering a quality education to boys from challenging circumstances.

A total of 64 nonprofit organizations received funds raised through the CVS Caremark Charity Classic in 2011.

CVS Caremark Downtown 5K

CVS Caremark's annual Downtown 5K raised \$75,000 for charity in 2011. Funds awarded to youth-focused nonprofit organizations and schools from Southern New England during CVS Caremark's 12-year sponsorship of the race reached \$1.3 million.

To further promote health care and to emphasize the importance of physical activity for children, CVS Caremark Downtown 5K also awarded \$500 grants to 10 schools that won random drawings. Elementary, middle and high school teams with 25 or more children who participated in the 2011 CVS Caremark Youth Races or High School Inspirational 3K qualified for the drawings, which were earmarked to assist physical education programs.

In 2011, we partnered with EARTHTEC, a company that develops sustainable lifestyle apparel from recycled materials. Through their EARTH360 program, they offer recycling services, collect recyclable items and then turn them into apparel. Following the CVS Caremark Downtown 5K, EARTHTEC collected roughly 12,000 empty plastic CVS Big Chill water bottles that will ultimately be turned into about 3,000 recycled t-shirts using about four bottles per shirt. The plastic is shredded, washed, melted down, turned into thread, then fabric, then apparel and accessories.





INNOVATING FOR A HEALTHIER ENVIRONMENT

CVS Caremark believes that helping people on their path to better health also means doing our part to innovate for a healthier environment, a commitment that permeates every aspect of our business. We continually assess our operational footprint and invest in sustainable solutions to address our impacts, which includes progressing toward our carbon reduction goal; advancing our Environmental Management Program; identifying areas to further conserve natural resources; engaging colleagues, customers and other stakeholders in our efforts; and incorporating best practices we have learned along our sustainability journey. Our Environmental Policy and Climate Change Policy Statements guide our environmental strategy. In 2011, our efforts focused on implementing and operationalizing these policies and expanding our initiatives.

Environmental Policy Statement

The link between human health and the health of our planet is becoming increasingly apparent. As a company dedicated to improving people's lives through innovative and high-quality health and pharmacy services, we are committed to: operating in a manner that meets or exceeds applicable environmental regulations; reducing our environmental and climate-related impacts; and contributing to the long-term sustainability of our business.

CVS Caremark's enterprise-wide environmental strategy, goals and quantifiable targets are established and overseen by senior-level corporate executives and, as appropriate, reviewed by the company's CEO for approval. The process for developing our strategy, goals and targets involves engagement with colleagues

from across the enterprise, including our Executive Environmental Management Council, Sustainability Leadership Council, internal Energy Technology Assessment Committee — which launched in 2011 — and third-party environmental experts. In 2011, we began initial conversations with CERES to learn from its expertise as a leading champion of sustainable business practices and solutions.

We believe ongoing measurement, assessment and transparency of our initiatives are essential components of our environmental commitment and will lead to improved performance over time. Our approach to disclosure includes issuing an annual Corporate Social Responsibility Report, which is developed using the Global Reporting Initiative (GRI) Framework, and participating in other initiatives, such as the Carbon Disclosure Project (CDP) and the CDP Water Disclosure Project.



Our environmental strategy, goals and targets are focused in these areas:

- Addressing our enterprise-wide, climate-related impacts through reductions in greenhouse gas emissions
- Building robust compliance programs to meet regulatory requirements applicable to our business operations
- Conserving natural resources by seeking reductions in energy use, water use and solid waste
- Encouraging more recycling throughout our enterprise and the use of recycled materials in the products we purchase and sell
- Minimizing the use of raw materials in our products and packaging
- Seeking feasible alternatives for materials of concern in the development of our products
- Employing LEED and Energy Star standards in the construction of our facilities

To achieve our goals and meet our targets, we collaborate with various internal and external stakeholders. This may include:

Employees Raising awareness of their opportunities to reduce their environmental impacts both at work and beyond

Customers Providing products that are better for the environment and offering ways for them to reduce their impacts when they shop with us

Suppliers Collaborating to reduce the environmental footprint of the products we purchase and sell

Government Monitoring environmental policy and legislation

Environmental groups Working with experts and seeking their counsel on environmental issues, goal setting, measurement and innovative approaches to reducing our footprint

Climate Change Policy Statement

We acknowledge that human action contributes to climate change, and we are committed to fostering a culture of environmental responsibility within our company to reduce our greenhouse gas emissions and subsequent impact on the environment. We have set targets for improving the energy and greenhouse gas efficiency of our operations.

We will achieve these targets and contribute to the long-term sustainability of our business through:

- Routine monitoring and review of potential risks and opportunities related to environmental compliance as well as climate change (physical, regulatory, operational and financial)
- Implementation of energy and greenhouse gas efficiency programs in our operations, including our retail stores, pharmacies, offices, distribution centers and fleet vehicles

- Ongoing communication and engagement with internal and external stakeholders regarding our climate-related performance

Measuring and Reducing Our Greenhouse Gas Emissions

We first reported our carbon footprint in 2008 and have continued to monitor our emissions closely in accordance with the *Greenhouse Gas Protocol*, published by the World Resources Institute and the World Business Council for Sustainable Development (WBCSD). In 2011, we continued our partnership with a third-party environmental consultancy to help us evaluate our measurement techniques and progress toward our carbon reduction goal.

Our stores account for the vast majority of our GHG emissions, so we measure carbon intensity per square foot of retail space. This measurement helps to normalize our emissions so we can more accurately gauge the effectiveness of our GHG reduction initiatives and set meaningful performance targets. Although we experienced a marginal increase of less than 1.3 percent in absolute emissions in 2011, due to the growth of our retail footprint, our intensity per square foot of retail space slightly decreased during this same time.

What We Measure

The boundary set for our carbon footprint evaluation is based on available data and industry standards, as defined by the WBCSD. We included the energy used in all CVS/pharmacy stores, distribution centers and corporate offices, as well as emissions from business travel and product deliveries.

Progress toward our Carbon Reduction Goal

In 2011, we continued our participation in the Carbon Disclosure Project (CDP) and made progress toward our carbon intensity goal. Joining the CDP and setting a long-term goal provided a roadmap to help us drive environmental performance across the business and engage leadership on sustainability issues. We have already seen the positive impact and return on investment of these operational enhancements, including energy use reductions across our facilities. Moving forward, we will continue to report our progress annually through the CDP and in our CSR Reports.

Environmental Management Program

In 2011, we initiated steps to establish a formal Environmental Management System, which we refer to as our Environmental Management Program (EMP). The EMP is designed to provide the basic framework for the company to responsibly manage environmental obligations applicable to its operations. The EMP is

TOTAL CARBON FOOTPRINT AND CARBON INTENSITY MEASUREMENT

| YEAR | CO ₂ EQUIVALENTS (metric tonnes CO ₂ e) | CO ₂ EQUIVALENTS intensity per sq. foot of retail space | SQ. FEET of retail space | YEAR TO YEAR CHANGE |
|------|--|--|-----------------------------|---|
| 2009 | 1,786,000 | .026 metric tonnes | 67.8 million | Restatement of 2009 emissions intensity to include refrigerants |
| 2010 | 1,778,000 | .026 metric tonnes | 69.7 million | Intensity remained flat |
| 2011 | 1,800,500 | .025 metric tonnes | 71.5 million | Intensity decreased slightly |

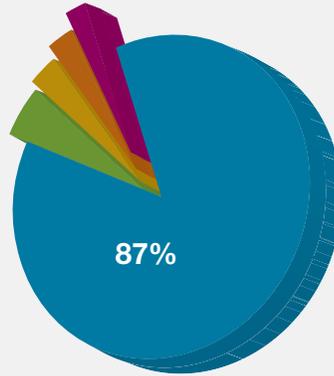
Our Carbon Reduction Goal: Reduce our carbon intensity by 15% by 2018, based on 2010 figures

TOTAL CARBON FOOTPRINT IN CO₂ EQUIVALENT EMISSIONS,
BY TYPE AND PER METRIC TONNES

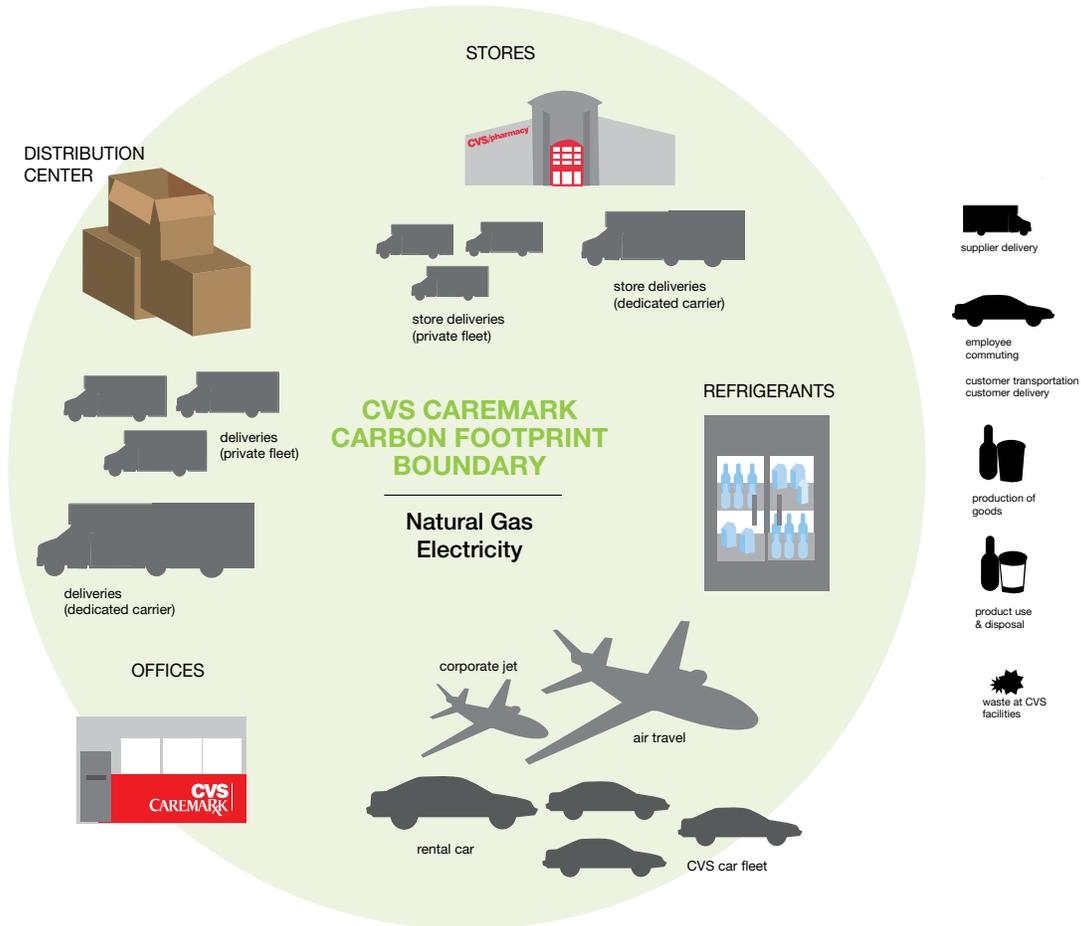
2011

1,800,500 tonnes | CO₂e

| | |
|-----|--------------------|
| 87% | Electricity |
| 5% | Product Deliveries |
| 3% | Natural Gas |
| 2% | Business Travel |
| 3% | Refrigerants |



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founded on the principles of ISO 14001 and United State Environmental Protection Agency (USEPA) compliance-focused environmental management system guidance. The EMP approach is designed to reduce environmental risk due to non-compliance, and provide a systemic method for continuous improvement.

The EMP documents how we identify environmental obligations, assess risk, monitor and track new and emerging requirements, and build compliance programs. In 2012, we will continue to build out elements of the EMP including the plan to have a collaboration site as a way to connect people with the content of the EMP.

Under the EMP, we will systematically review compliance obligations across all business units. The intent is to leverage existing processes to develop compliance programs that are scalable and sustainable across the enterprise. One example of a program enhanced in 2011 is our Hazardous Waste Management Program.

Federal and state environmental regulations require the responsible management of non-saleable consumer products. Some of these products when disposed of are considered hazardous waste requiring proper disposal. In 2011, we enhanced our Hazardous Waste Management Program in multiple ways to better manage this environmental obligation. We leveraged existing processes and technology to integrate the program into daily operations. For instance, store colleagues routinely use a radio frequency (RF) unit to process consumer products. The software to this hand-held device was upgraded to include logic that ensures proper disposition of consumer products that are considered hazardous waste when no longer useable for their intended purpose. The RF Unit provides simple, easy-to-implement steps that help assure a sustainable process for managing disposal of unwanted consumer products at our retail locations.

In addition, we have revised training received by colleagues in our retail stores. Training is now based on level of responsibility in handling hazardous wastes. This training ranges from basic awareness level training for new store colleagues to specialized training for photo lab and pharmacy colleagues.

Throughout 2012 we will continue to engage business units in the review of operation-specific regulatory requirements as we manage our environmental obligations and protect the environment.

Agency Notifications

Consistent with regulatory release reporting requirements under CERCLA, we reported the release of hazardous substances to the appropriate regulatory authorities. This reporting requirement was triggered by catastrophic water damage due to Hurricane Irene sustained at a CVS/pharmacy in Margaretville, NY. Emergency response contractors were brought in to provide clean up services. Because the building was so severely damaged, it was subsequently demolished. A report of clean-up activities was submitted as required.

Using Resources Wisely

Continuous improvement in the area of resource efficiency is a priority for CVS Caremark. Store operations, transportation and distribution centers are the largest contributors to our energy use, and as a result, many of our environmental efforts focus on reducing the impacts related to retail and distribution operations. We also know that water is a precious and finite resource and take steps to monitor and reduce our overall consumption.

Advancing Energy Efficiency

In 2011, 87 percent of our carbon emissions came from electricity use, our primary energy source. In order to reduce our carbon footprint, we have been primarily focused on incorporating the energy-saving technologies we've adopted for new store construction into our existing stores and distribution centers and enhancing our transportation and distribution processes. Our newly established Energy Technology Assessment Committee works to identify and assess areas across our operations to gain further efficiencies. We also continue to explore the use of alternative energy solutions in certain regions, such as in Hawaii, although the feasibility of larger scale implementation throughout our enterprise remains uncertain. Specific initiatives we focused on in 2011 include:

- Advancing our energy management systems
- Expanding our lighting retrofit program across stores and distribution centers

- Upgrading to energy-efficient HVAC systems in new and relocated stores
- Investing in more efficient refrigeration units in new and relocated stores
- Optimizing our transportation routes and systems to reduce fuel use
- Working with vendors to share best practices, leading to more efficient use of resources

Expanding our Energy Management System

In 2011, we expanded our energy management system to more than 5,000 stores with systems that are now controlled via phone modem. The energy management system is run from a centralized location that allows us to monitor energy use and automatically adjust lighting, temperature, HVAC and other systems so energy is only used when needed. We are migrating store connectivity to a network interface and have a goal of connecting more than 3,500 locations by the end of 2012.

Energy Technology Assessment Committee: Evaluating Sustainable Solutions

In 2011, we established an Energy Technology Assessment Committee (ETAC), an internal, cross-

functional team charged with monitoring emerging technologies and trends in the area of energy efficiency. ETAC evaluates opportunities for CVS Caremark to pilot these technologies in our facilities, and some of the recommendations are already being implemented. For example, in 2011 we replaced our irrigation system specifications at select stores, helping to reduce irrigation water use by 20 percent annually, and ETAC helped advance LED lighting projects in stores and distribution centers.

Engaging with Vendors

In 2011, CVS Caremark hosted a three-day event at our Lumberton, New Jersey distribution center to raise awareness about energy efficiency. Our logistics engineers and other employees in our distribution center worked with vendors during the event, which was facilitated by General Electric (GE), to identify energy saving opportunities during specific phases of operation: while the facility was open and functioning, when it was closed and during start-up. Several opportunities were identified and immediately implemented across our network of distribution centers and others will result in pilot projects in 2012.

TOTAL ENERGY USAGE, BY TYPE, FOR 2009-2011

| YEAR | ELECTRICITY | NATURAL GAS | PROPANE AND OIL | FUEL CONSUMPTION |
|------|------------------------------|----------------------------------|-----------------------------|-----------------------------------|
| 2009 | 2.8 million MWh ¹ | 9.8 million therms ² | n/a | 10.8 million gallons ⁴ |
| 2010 | 2.8 million MWh ¹ | 10 million therms ² | 760,000 therms ³ | 9.8 million gallons ⁴ |
| 2011 | 2.9 million MWh ¹ | 10.1 million therms ² | 580,000 therms ³ | 10.1 million gallons ⁴ |

1 Data represents total electricity consumption (in megawatt hours) at CVS distribution centers, stores and administrative locations.

2 Data represents total natural gas consumption at CVS distribution centers, stores and administrative locations. Totals exclude oil and propane usage at exclusively Caremark facilities and facilities with landlord paid utilities.

3 Data represents total propane and oil usage at CVS distribution centers, stores and administrative locations. Propane and oil usage was not reported in 2009 and is not included. Totals exclude oil and propane usage at exclusively Caremark facilities and facilities with landlord paid utilities.

4 Data represents total fuel consumption for deliveries, car fleet, employee travel, company-owned cars and air fleet.



Built using local recycled and repurposed materials, the CVS/pharmacy distribution center in Chemung, NY is the largest LEED Gold-certified industrial building in the state.

Exploring Renewable and Alternative Energy Sources

We have incorporated the use of some renewable and alternative energies within our operations. The use of solar power at several stores in Hawaii has been successful, and we are evaluating opportunities for future use of solar power at distribution centers in this region and in other parts of the country.

In 2011, we completed the installation of hydrogen refueling infrastructure at our Chemung, NY distribution center, which is expected to reduce electric consumption at that facility by five percent. One byproduct of hydrogen fuel cells is pure water. Our Chemung distribution center discovered a way to repurpose the water for use in cleaning processes, rather than discharging it.

Incorporating LEED Standards into our Facilities

Our design and construction teams incorporate LEED standards when building new stores and facilities. To monitor emerging trends in this area, our team participates in the U.S. Green Building Council (USGBC) LEED training programs and is represented on the Rhode Island Green Building Committee. Additionally, our internal Energy Technology Assessment Committee evaluates energy-efficient technologies to incorporate into new building construction and seeks ways to retrofit existing facilities.

In 2011, we achieved LEED Gold certification for our distribution center in Chemung, NY, and a new Finance Support Center in Rhode Island.

Chemung Distribution Center

Our distribution center in Chemung, NY, is the largest LEED Gold-certified industrial building in the state and among the 10 largest industrial buildings in the country to receive the LEED Gold standard. Built using local, recycled and repurposed materials, the facility's sustainable design elements include: an energy-efficient, white PVS insulated roof; interior lighting with daylight sensors and timers; a rainwater harvest system for irrigation; and high-efficiency, low-flow plumbing fixtures. The distribution center opened in June 2011 and supports 350 CVS/pharmacy stores in the northeast and employs more than 500 people.

Transporting Products Responsibly

The transportation of our products from our distribution centers to our stores accounts for the second largest contributor to our carbon footprint. To reduce transportation-related emissions and save on fuel, we have continued to advance earlier initiatives and implement new measures, such as:

- Maintaining a fleet of modern, fuel-efficient vehicles
- Maintaining fuel-efficient speeds on our truck fleet by setting governors at 63 mph – a speed optimized

Improving Lighting

In 2011, we continued to install efficient lighting projects, retrofitting facilities across the enterprise and incorporating energy-saving technologies used in new store construction. More than 680 retail stores, as well as our headquarters campus, were retrofitted during the year, resulting in a \$5 million savings in energy costs. We upgraded coolers, exterior signage, drive-through windows and entryway canopies with LED lighting, and our Energy Technology Assessment Committee is evaluating opportunities to install additional exterior LED retrofits, such as those in our store parking lots. In 2012, we plan to upgrade lighting in 1,500 additional stores, and we are developing a comprehensive long-term plan for improved lighting efficiency in more than 7,300 stores.

Several of our distribution centers also received lighting upgrades in 2011. We successfully piloted exterior LED lighting in our facility in North Smithfield, Rhode Island and implemented a full installation in Kapolei, Hawaii, which uses one-third of the electricity required by lights typically used, and also reduces light pollution

for neighbors who live near our distribution centers. We also began a pilot of interior LED lighting at our two Rhode Island distribution centers in Woonsocket and North Smithfield.

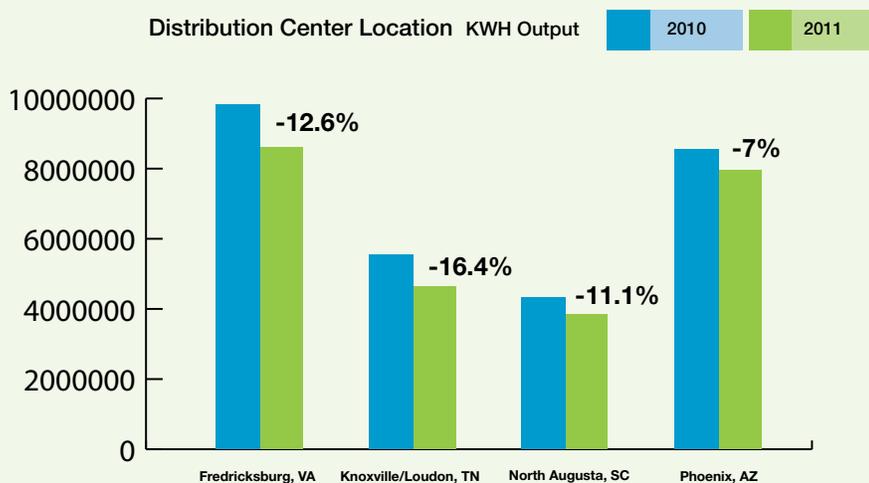
Moving forward, we are evaluating the integration of LED lighting into the design and construction of our La Habra, CA, bulk facility. We have begun the process of upgrading the lighting at our Indianapolis distribution center with fluorescent lights.

KWH Reductions Per Year

We are realizing energy savings as a result of the lighting upgrades that were implemented in some of our distribution centers in 2010. For instance, electrical consumption was reduced across four of our distribution centers in 2011, compared to 2010 usage. Although our overall usage of electricity among all of our distribution centers went up, due to the addition of new distribution centers in New York and Hawaii, electricity density in our distribution centers decreased by 3.9 percent.

KWH REDUCTIONS PER YEAR

Reductions in Electricity Use Realized from Lighting Upgrades at Four Major Distribution Centers (2011 vs 2010): Knoxville/Loudon, TN; North Augusta, SC; Fredericksburg, VA and Phoenix, AZ



for fuel efficiency – and reducing governors to 55 mph in California

- Installing aerodynamic skirts to truck trailers in California to evaluate the efficiencies of expanding the skirts to our entire fleet
- Utilizing new trailers with electric backup motors to reduce reliance on diesel-powered cooling units
- Enforcing a no-idling policy by reviewing OnBoard Computer performance reports
- Optimizing delivery routes and schedules with fuel efficiency in mind
- Optimizing cube space of our trucks to limit unnecessary deliveries
- Promoting fleet safety through driver awareness initiatives

Our trucks drive thousands of miles every week between distribution centers and stores, so continually optimizing our cube and routing efficiencies plays a significant role in reducing our carbon footprint. In 2011, the average miles per gallon of our fleet improved to 6.53, up from 6.46 in 2010 and 6.37 in 2009, while also saving 25,148 gallons of gas. These optimization efforts helped reduce our CO₂ emissions by 260 tons.

Our fleet has been an Environmental Protection Agency's Smartway Carrier Partner since 2010, and in 2012, we plan to complete the process of becoming a Smartway Shipping Partner.

Award for Sustainable Transportation Practices

CVS Caremark was recognized by the 2011 Supply Chain Logistics Summit for best practices in route optimization. Our best practices included implementing a process improvement and technology integration program across our entire distribution network, which reduced inbound transit times and associated costs, while improving delivery performance, productivity and customer service.

Ensuring Fleet Safety

We take fleet safety seriously at CVS Caremark, given the many miles our drivers travel every day. Our distribution centers host regular road safety trainings and simulations and offer driver incentives including annual safety bonuses and our *Driver of the Year* award. We have also received numerous industry awards for our legacy of advancements in fleet safety. In 2011, we were awarded first place by the National Private Truck Council for Local Truck Safety.

TRANSPORTATION EFFICIENCIES ACHIEVED IN 2011 THROUGH CUBE AND ROUTING OPTIMIZATION

Improved MPG
from 6.46 to 6.53

Eliminated
7,991 routes

Saved 25,148
gallons of gas

Reduced
CO₂ emissions
by 260 tons

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Reducing our Water Use

Although CVS Caremark is a relatively small user of water, we believe conserving water – our most precious resource – is an issue everyone has a responsibility to address.

In 2011, we established a baseline for our water use and reported our water footprint through the Carbon Disclosure Project water questionnaire for the first time. Water usage, the vast majority of which was supplied by U.S. municipal water systems, totaled 7,200 megaliters in 2011, down from 7,350 megaliters in 2010. This reduction is primarily due to landscaping efficiencies at our corporate facilities and retail locations, with resulting cost savings.

WATER USE INTENSITY MEASUREMENT BASED ON PER SQUARE FOOT OF RETAIL SPACE, FOR 2010-2011

| YEAR | TOTAL WATER USAGE (ML) | SQ. FT. OF RETAIL SPACE | NORMALIZED WATER USAGE (PER SQ. FT. OF RETAIL SPACE) |
|------|------------------------|-------------------------|--|
| 2010 | 7,350 ML | 69.7 million | .000105 ML |
| 2011 | 7,200 ML | 71.5 million | .000101 ML |

CVS CAREMARK WATER MANAGEMENT STRATEGY

To drive efficiencies and reduce water usage, we aim to:

Continuously measure and monitor our water use and savings

Establish water guidelines around the development of new properties with appropriate landscaping

Implement water reduction initiatives into LEED and non-LEED buildings

Our biggest source of water usage continues to be our irrigation systems, which accounted for 23 percent of our total water cost. Although many communities where we have operations require us to irrigate, we strive to reduce the associated impacts and implement landscaping efficiencies, where possible. In 2011, our water usage from these systems was 157,284 kilogallons, a 14 percent decrease from 182,001 kilogallons in 2010, which was a reduction of almost 26 percent from our 2009 usage of 244,518 kilogallons. In 2012, we will continue to monitor and conserve our water use and plan to continue reporting water footprint data through the CDP water questionnaire.

Reducing Waste and Improving Recycling

At CVS Caremark, we use various measures to reduce our waste, repurpose materials and recycle throughout our operations and along our supply chain.

Recycling Initiatives

In 2011, we continued to improve our company-wide recycling initiatives in our distribution centers, stores and corporate offices, focusing our efforts on the following:

- Recycling cardboard packaging, corrugate plastic and pallets at every distribution center
- Expanding our in-store recycling initiatives, including a plastic bag recycling program in more than 3,000 locations and expanding plastic bottle recycling to more than 2,000 stores
- Piloting a recycling program for employee break rooms in 200 stores across the country
- Engaging with waste haulers to identify single-source recycling
- Using multiple bailers in each distribution center to compress corrugate
- Putting recycling bins in all workspaces and conference rooms

- Ensuring paper and plastic materials are collected and recycled in our onsite cafeterias
- Recycling stretch wrap film at various facilities

These efforts resulted in 182 tons of plastic stretch film being recycled throughout our stores and distribution centers in 2011, an increase from 178 tons in 2010. Although total volume of cardboard recycling actually decreased in 2011 to 44,000 tons, compared to 45,000 tons in 2010, this was primarily due to the packaging improvements made by vendors that used less cardboard material.

In 2012, we plan to identify ways to realign our entire waste process and are currently engaging with waste haulers to better understand and improve our waste stream.

Promoting Sustainable Packaging

We continually seek opportunities to adopt more sustainable packaging and work directly with our vendors and suppliers to reduce packaging materials. Through packaging and sustainability summits, awareness initiatives and one-on-one meetings with our vendors, we share preferred sustainable packaging styles to influence the packaging of the products we carry. For instance, we recommend that our suppliers minimize or eliminate the inner packaging for the products they deliver to us, and we encourage suppliers to use recycled materials in their packaging whenever possible.

Through collaboration with our vendors and suppliers in 2011, we worked to reduce the packaging and associated waste of 79 products sold in our stores. Included were several over-the-counter products that reduced or eliminated inner packaging, equating to more than 8 million units shipped to us in 2011. Our packaging teams also held summit-style meetings with product category managers to increase their understanding of sustainable packaging advancements.

Promoting Sustainable Products

We recognize that natural and environmentally friendly products are growing in importance to our customers, and we are committed to expanding our range of offerings to meet this demand. This includes natural beauty

products that meet the European Union standards for reduced environmental risk and impact, including Avalon® Natural Products, Yes to Carrots®, Dr. Bronners and Weleda. These beauty brands have also signed the Compact for Safe Cosmetics. For more on CVS/pharmacy's commitment to safe cosmetics, see p. 17.

Our own Earth Essentials® product line offers natural and environmentally preferred products that are made with 100-percent recycled fibers and includes plates and bowls made entirely from natural and renewable sugarcane. We've recently added kitchen bags to our line of sustainable products. Greenpeace awarded our Earth Essentials paper towels, toilet papers and napkins its "Green Tree" stamp of approval in 2009, a recommendation that stands today.

Engaging Others in Our Efforts

Ensuring a sustainable future for our planet is a collaborative effort, and we engage the help of our colleagues, suppliers and customers to help address our environmental impacts. We continually engage with suppliers to help them reduce their impacts and support our consumers' efforts to reduce their own footprints. Our Sustainability Leadership Council and Logistics Sustainability Committee drive initiatives throughout our business operations and seek ways to engage employees to reduce their impacts.

Helping Consumers Reduce and Reuse

To encourage our consumers to adopt eco-friendly behaviors, we introduced "GreenBagTag," a reusable bag program, which enables our customers to reduce their environmental impacts and earn ExtraBucks® Rewards at the same time. Once consumers purchase the GreenBagTag for 99-cents online or at CVS/pharmacy stores, they earn ExtraBucks Rewards each time they decline a plastic bag or use a reusable shopping bag. Since the program was launched in 2009, 2.1 million customers have scanned a GreenBagTag a total of 61.2 million times, and we have issued more than \$14.4 million in Extrabucks rewards. In 2011, we also expanded our in-store recycling programs for plastic bags and bottles and piloted an in-store recycling program for enhanced consumer convenience at more than 200 retail locations across the U.S.



An employee at CVS Caremark headquarters refills her water bottle at a water station, which features an indicator that reads: "Helped eliminate waste from 16,822 disposable plastic bottles." And counting.

Engaging Employees

Research shows engaging employees around sustainability issues can be a driver of employee satisfaction and deepen their connections to the company. Employees can also be a source of innovation when it comes to identifying efficiencies and sustainability measures. In 2011, we saw this to be true, as colleagues across our business operations – from our stores, to distribution centers, to the boardroom – helped drive initiatives to reduce our footprint. From employee training sessions, publications about our sustainability events and presentations to leadership, our employee sustainability groups showed the growing importance of sustainability at every level within our organization.

Executive Environmental Management Council

The Executive Environmental Management Council (EEMC), established in 2011, is a group of senior-level corporate executives representing all business units of CVS Caremark. The role of the EEMC is to direct the overarching strategy, policy and implementation of the Environmental Management

Program (EMP). This Council advises the CEO on the overall performance of the EMP.

Sustainability Leadership Council

The Sustainability Leadership Council, formerly the Environmental Leadership Council, oversees our enterprise-wide environmental strategy and goals. In 2011, the Council focused on revising our GHG goals and reviewing current and prospective initiatives. Moving forward, the Council will seek ways to increase employee engagement in sustainability initiatives across the business and to increase our engagement with current and potential suppliers to ensure they understand our commitment to sustainability.

Sustainability Committee

Introduced in 2011, the Sustainability Committee is a cross-functional team that drives sustainability initiatives throughout the CVS/pharmacy Logistics team. Current initiatives include, evaluating appropriate performance indicators and metrics, installing exterior LED lighting and generating storm water pollution plans.



CORPORATE INTEGRITY, INFORMATION GOVERNANCE AND BUSINESS PRACTICES

CVS Caremark is committed to following the highest ethical standards and complying with all applicable laws and regulations in the conduct of its business. This commitment extends to everyone within the organization and to all interactions with customers, plan members, clients, physicians, vendors and all other business associates. This commitment is supported by a work environment that promotes integrity and accountability and we have processes in place to help prevent, detect and resolve instances of potential unethical behavior and noncompliance.

Compliance and Integrity Program

CVS Caremark's Compliance and Integrity Program provides a framework for fostering a culture of compliance throughout the company. Key components of the Program include a Code of Conduct, policies and procedures, education and training; a mechanism for employees to report potential unethical behavior or non-compliance; a requirement that employees cooperate in compliance investigations; monitoring and auditing; periodic risk assessments to help identify key legal and regulatory risks and changes; incentive structures, remedial measures and discipline procedures that promote compliance; maintaining required compliance and fraud, waste and abuse programs applicable to our Medicare Part D business; a process to implement business changes necessitated by new laws and

regulations; appropriate employee background checks and exclusion list screening; and a leadership team that fosters a positive and ethical culture of open communications.

Our Chief Compliance Officer is responsible for the oversight and implementation of the CVS Caremark Compliance and Integrity Program, including the components applicable to our Medicare Part D business. The Chief Compliance Officer reports to the Audit Committee of the Board of Directors and to the company's Chief Executive Officer. As part of the administration of the Program, the Chief Compliance Officer chairs the Corporate Compliance Committee, a cross-functional group comprised of company legal and business leaders who provide expertise, coordination and oversight to assist the Chief Compliance Officer.



Code of Conduct

The CVS Caremark Code of Conduct sets forth the company's expectation of legal and ethical behavior of all employees. The Chief Compliance Officer leads the development of and periodic updates to the Code of Conduct and the Code itself is approved by the Board of Directors. The Code of Conduct is communicated to all employees and is externally available via the CVS Caremark website. The company's corporate policies and procedures are an additional source of guidance to employees.

Compliance Education and Training

Through the CVS Caremark Integrity Training Program, the company underscores its commitment to high ethical standards and to practices that comply with applicable laws, regulations and company policies. The Integrity Training Program is designed to be current and relevant to the business as well as to address the evolving and complex health care and regulatory environment. Training content, which is reviewed and approved by the Compliance Office, is designed to raise employee awareness of current policies through the presentation of real-life work situations that they may encounter that pose ethical dilemmas or may violate aspects of the CVS Caremark Code of Conduct.

The company's policy is to provide all new full-time or part-time employees with appropriate integrity training. New employees also must certify that they have read the Code of Conduct and completed the training. As of March 2012, more than 99 percent of employees had completed online training on the Code of Conduct, which includes topics related to compliance and

integrity, privacy and security, professional conduct and corruption, among others. Ongoing compliance training requirements are based on employee job function and responsibilities, and existing government mandates.

Auditing, Monitoring and Risk Assessment

The company assesses and monitors broad areas of compliance risk across the organization and maintains a compliance auditing and monitoring program to help detect non-adherence to the Code of Conduct and the company's policies and procedures. In addition, the Chief Compliance Officer, in coordination with the Legal Department, conducts periodic assessments to help identify risk and develop a Compliance Audit Work Plan that is approved by the Audit Committee of the Board of Directors.

Ethics Hotline

CVS Caremark maintains a toll-free Ethics Line 24 hours a day, seven days a week and 365 days a year to receive communications from its employees, vendors and other third parties in connection with alleged unethical or illegal behavior. As an alternative to calling, parties may contact the Ethics Line via mail, email or fax. All communications to the Ethics Line by employees are handled as confidentially as possible. Moreover, the company has a strict non-retaliation policy that protects employees who make good faith reports to the Ethics Line. Aggregate data is reported to the Chief Compliance Officer and an annual report is made to the Audit Committee of the Board of Directors.

Any employee of CVS Caremark also has the ability to raise a compliance issue and seek guidance regarding a potential legal or ethical violation directly from the Chief Compliance Officer and from members of management, Human Resources and the Legal Department.

The Compliance Office is responsible for logging, triaging, following up and tracking reported potential compliance violations to conclusion. This includes coordinating or conducting the actual investigation, documenting the results of the investigation and associated discipline, if any. The Compliance Office is also responsible for ensuring that appropriate remedial actions are taken.

Response and Prevention

Upon receiving a report of an alleged violation of CVS Caremark's Code of Conduct and/or policies and procedures, the Compliance Office directs a thorough investigation and may request, as appropriate, a review of the alleged violation by legal counsel.

After an investigation has been completed, the Compliance Office, in coordination with the Legal Department, determines whether credible evidence exists of a violation of applicable federal or state laws, regulations or any provision of CVS Caremark's Code of Conduct and/or policies and procedures. When an investigation confirms that misconduct has occurred, corrective actions are initiated promptly. Corrective action may include remedial action to address the specific issue or help prevent similar issues in the future, disciplinary action and/or additional training. As appropriate, certain confirmed violations may be reported to outside agencies or authorities. In addition, the Chief Compliance Officer provides the Audit Committee of the Board of Directors with a summary of reports received highlighting significant violations or alleged significant violations of the Code of Conduct and applicable policies and procedures.

Information Governance

Corporate Framework

Consistent with the CVS Caremark Values of Integrity and Accountability, the company considers the protection and safeguarding of personal information,

including the health and personal information of our customers, plan members and employees, a top priority. To provide for these protections and safeguards, the CVS Caremark Chief Privacy Officer provides leadership for the company's Information Governance Framework that implements our corporate strategy across all business units and operations and that includes all activities related to the development and implementation of CVS Caremark's privacy and information security programs. The company's Information Governance Framework helps identify potential risks relevant to privacy and information security and assists in putting in place appropriate protections and safeguards to address those identified risks.

Information Security Program

In the past year, the company put in place new components for its information security program. To ensure our practices provide appropriate protections and safeguards for personal information, the company developed our Information Security Risk Assessment process that identifies internal and external risks to the security, confidentiality and integrity of personal information that could result in the unauthorized disclosure, misuse, loss, alteration, destruction, or other compromise of such information. On a biennial basis to supplement internal processes, an independent assessor reviews our practices operationalizing the information security program. In addition, on an annual basis, the company employs a Qualified Security Assessor to review the sufficiency of any safeguards in place with regard to cardholder data under the Payment Card Industry Data Security Standard. Furthermore, the company maintains an enterprise level team overseen by the Chief Privacy Officer to control identified risks, to manage the company's investment in a security infrastructure, and to improve continuously the information security program, including enhancements for emerging cyber security issues.

Privacy Program

In addition to our information security program, as part of our Information Governance Framework, the company maintains a privacy program to continuously improve our privacy practices. Key to improving processes is driving awareness of colleagues of the importance of member and

patient privacy. CVS Caremark uses its training and development program to deliver appropriate periodic training for all our colleagues, including a requirement that core privacy training be completed within thirty days of hiring. Furthermore, the Chief Privacy Officer oversees a full-time policy and investigations team that not only manages the review and response to any potential privacy incident, but, for any actual incident, uses a protocol that involves processing, tracking, reviewing, making improvements and, when appropriate, retraining or developing a corrective action plan. The lessons learned are then incorporated in the existing training to help our colleagues understand better how to avoid future occurrences. In addition, the company conducts an annual assessment of its retail facilities, using an independent assessor to review a statistically significant sample of stores, to ensure implementation of necessary protections and safeguards, including requirements under the Health Insurance Portability and Accountability Act (HIPAA) for privacy and security.

Vendor Assessment Program

In order to ensure appropriate safeguards and protections for any confidential information, especially including any personal information, CVS Caremark maintains a Vendor Assessment Program under which each vendor/supplier who collects, uses, stores, shares, processes, transmits or destroys confidential information on behalf of CVS Caremark must undergo an initial and recurring periodic assessment to determine whether or not the vendor/supplier operates in accordance with our Privacy and Information Security Policies and Procedures.

Governance Oversight

CVS Caremark's various oversight committees have enhanced our privacy and information security programs by involving key senior leaders in the decision making process to address identified risks and to implement appropriate protections and safeguards. The policy-level committees, which are cross-functional, meet periodically and review and assess relevant information regarding our practices to manage privacy and information security risk and make recommendations to enhance our existing practices that are then implemented through operational and information services groups.

Working with Our Suppliers

Our Commitment to Human Rights

Respect for human rights is expressed in CVS Caremark's Supplier Ethics Policy, which all vendors around the world must adhere to as a condition of doing business with the company. The policy conforms with the conventions of the International Labour Organization (ILO) and prohibits human trafficking and the use of child, forced or imprisoned labor; requires that working conditions are safe and fair; forbids any form of discrimination with regard to age, gender, minority status and/or other protected classes; and upholds the right to freedom of organization. We monitor compliance with the Supplier Ethics Policy through risk-based audits conducted by external third parties. Details of our Supplier Ethics Policy are outlined below.

The same principles that apply to suppliers are also reflected in our workplace policies and practices, and in the CVS Caremark Code of Conduct. We believe every employee is entitled to a safe and healthy work environment that is free from discrimination and harassment, and where all employees have an equal opportunity to grow and develop their careers and be appropriately compensated for their contributions to the company's success. In the United States, the company complies with local labor laws regarding employment of youth. The minimum age of employment at CVS Caremark is 16, or older in some instances. More information on our workplace practices are contained in the employee section of this report, beginning on p. 22.

Supplier Ethics Policy

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

As defined by this policy, suppliers must:

- Adhere to standards that prohibit child labor, forced or imprisoned labor and any form of human trafficking, and ensure a safe workplace for their workers
- Pay workers a fair and legal wage and not withhold wages for coercive purposes
- Not discriminate against their employees in hiring practices or any other term or condition of employment on the basis of age, gender, gender identity or expression, marital status, sexual orientation, race, color, religion, national origin, veteran status, military status, disability or any other characteristic protected by federal, state or local law
- Conduct business in accordance with established legal and ethical standards, including without limitation the California Transparency in Supply Chains Act
- Be compliant with all applicable anti-corruption laws, including the U.S. Foreign Corrupt Practices Act
- Adhere to import requirements of United States Customs and Border Protection, and other United States government or regulatory agencies

In addition, CVS Caremark vendors/suppliers and their related subcontractors and employees must not appear on the U.S. Department of Health and Human Services or the General Services Administration's Lists of Parties Excluded from Federal Programs.

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

Global Supplier Audits

As a condition of doing business with CVS Caremark, all import suppliers and global supply chain partners must be in compliance with the CVS Caremark Supplier Ethics Policy. In 2011, this policy was communicated to all import suppliers at the time a purchase order was issued.

To help ensure our import suppliers and global supply chain partners are in compliance with the CVS Caremark Supplier Ethics Policy and abide by social, legal and trade security standards, including prohibitions against human trafficking and slavery,

CVS Caremark launched an enhanced factory audit program in early 2012 called the Workplace Conditions Assessment program. This program utilizes a third party auditing firm to monitor supplier adherence and conduct audits of all factories outside of the United States from which we directly purchase imports. As of April 5, 2012, all import suppliers and global supply chain partners must register for and schedule a factory audit within five days after receiving a purchase order from CVS Caremark.

Our social accountability standards are based on standards set by the International Labour Organization, an agency of the United Nations that is responsible for overseeing international labor standards, and our security standards reflect guidelines established by the Customs-Trade Partnership Against Terrorism.

Import suppliers are subject to audits that encompass good manufacturing processes and social and environment and security audits to help ensure we provide our customers with safe, quality products that are produced in a socially responsible manner.

Types of information and practices that may be reviewed, include:

- Monitoring, Validation and Documentation
- Management Systems
- Child Labor
- Forced or Compulsory Labor
- Health & Safety
- Right to Collective Bargaining
- Non-discrimination
- Disciplinary Practices
- Harassment or Abuse
- Compensation & Benefits
- Hours of Work
- Sub-contracting
- Environmental
- Home Work
- Access Control
- Procedural Security
- Personnel Security
- Education & Training
- Container Security

Where supplier shortcomings are identified, we work with the supplier to promptly rectify the problem to meet CVS Caremark's compliance standards. For example, in 2011, there were two instances identified where suppliers did not meet standards with respect to under age employees. In the first instance, the employee submitted false identification; in the second instance, the supplier did not follow their own written policy during the hiring process. Both have been rectified to our satisfaction.

Supplier Diversity Program

We are dedicated to developing procurement opportunities with a diverse community of suppliers. Our Supplier Diversity Program complements the CVS Caremark commitment to sound business practices and social responsibility to the communities we serve, recognizes the critical role diverse-owned businesses play in our continued success and in providing outstanding service and solutions to our customers and clients. For more information on this program, see 38 - 39.

Retail Audit and Verification Processes

Product Expiration Date Verification

We have a stringent expired product removal policy and train our store employees to be vigilant when it comes to product expiration dates. Our stores carry as many as 30,000 different types of products and often have well over 100,000 individual items on their shelves, and each date-coded item must be checked manually. While no labor-intensive process of this kind is immune from error, we strive to achieve 100 percent compliance with our policies. We conduct weekly and monthly internal audits of compliance with our dated merchandise policies and procedures as well as monthly third-party audits. In addition, enhanced systemic controls were put in place in 2011 to prevent distribution centers from receiving merchandise with less than the required shelf life and an automatic process was implemented to prevent merchandise with less than the required shelf life from being delivered to stores. These new system controls contributed to a reduction in date code exceptions noted during store order date code audits.

Pricing Accuracy

We make all reasonable efforts to ensure that the prices posted in our stores and provided by price scanners at

our store registers are accurate. We conduct weekly and monthly inspections to help ensure that shelf labels and the price customers are charged at the register match and are accurate. If pricing discrepancies are found, an action plan is developed and implemented to correct the issue and prevent similar issues in the future.

Age Verification and Product Tracking

CVS/pharmacy has processes in place to assure that appropriate protocols are followed in sales of certain products such as alcohol, tobacco and tobacco products, pseudoephedrine (PSE), dextromethorphan (DxM), emergency contraceptives and compressed air based on age verification or other factors. In regard to products containing PSE, we have made substantial investments to improve handling and monitoring of PSE by implementing enhanced technology and making other improvements in our stores and distribution centers, including an enhanced electronic monitoring system, use of "black light" technology to identify false identification cards and installation of security cameras to record transactions at the pharmacy counter.

"Our Supplier Diversity Program complements the CVS Caremark commitment to sound business practices and social responsibility to the communities we serve."



CORPORATE GOVERNANCE

CVS Caremark is firmly committed to sound corporate governance and to acting with integrity and a high level of accountability in all aspects of our performance. Our Values – Innovation, Collaboration, Caring, Integrity and Accountability – clearly reflect who we are as a company and how we conduct business.

Our Reputation

We are proud that CVS Caremark was named as one of the most reputable companies in the United States, according to the 2012 Most Reputable Companies list published by Forbes in partnership with the Reputation Institute. We were also included among the World's Most Admired companies by FORTUNE, listed seventeenth on the Bloomberg Business Week 50 ranking of top-performing companies, ranked fourth among The Most Valuable U.S. Retail Brands by Interbrand 2012 and included on the 2011 CSR Index by Boston College Center for Corporate Citizenship and Reputation Institute and listed among CR Magazine's 2012 100 Best Corporate Citizens.

We are committed to being responsive, accountable and transparent to our stakeholders and to operating in compliance with the laws and regulations governing our business.

Our Policies

In January 2012, our Board of Directors adopted the most recent version of our Corporate Governance guidelines, which meets or exceeds the listing standards adopted by the New York Stock Exchange (NYSE). These Guidelines are available on our investor relations website at <http://info.cvscaremark.com/investors> and include:

- Annual election of all directors
- Conflict of Interest Policy
- Majority voting for uncontested director elections
- Stock ownership guidelines for all directors and executive officers
- Insider Trading Policy
- All stock-based incentive plans have stockholder approval
- Stockholders ratify auditors
- Comprehensive Corporate Code of Conduct
- Ethics Hotline

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. The Board determines the independence of each director each March and will reevaluate its determinations as needed during the year. This year, nine of the ten nominees for election as directors at the 2012 annual meeting of stockholders were determined to be independent.

Only Directors determined by the Board to meet independence standards serve on our Board's Audit, Nominating and Corporate Governance, and Management Planning and Development Committees.

Board Committees

Audit Committee

The Board of Directors and its Committees are involved in risk oversight and management for CVS Caremark. The Audit Committee is charged with the primary role in carrying out risk oversight responsibilities on behalf of the Board and reviews CVS Caremark's major financial risk exposures, as well as major operational, compliance, reputational and strategic risks, including steps to monitor, manage and mitigate those risks. Each of the other Board Committees is responsible for oversight of risk management practices for categories of risks relevant to their functions. The Audit Committee has broad oversight responsibilities for risks and issues that could impact our company and our business and reputational interests. At least once each year, and otherwise as needed, the Audit Committee receives comprehensive assessments from management concerning existing and emerging business risks, financial risks and other legal and compliance risks, and these reports include briefings on environmental and social risks and issues. These reports also include recommendations concerning mitigation and remediation of identified risks and issues when appropriate. The Board considers its role in risk oversight when evaluating the company's Corporate Governance Guidelines and its leadership structure, which facilitate the Board's oversight of risk and communication with management. The Chairman and CEO are focused on the company's

risk management efforts and ensure that relevant matters are appropriately brought to the Board and its Committees for their review.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee advises the Board of Directors on membership criteria and recommends individuals for membership on the Board. Candidates should be distinguished individuals who are prominent in their fields or otherwise possess exemplary qualities that will enable them to effectively function as directors of the company. While the Nominating and Corporate Governance Committee does not believe it appropriate at this time to establish any specific minimum qualifications for candidates, the Committee focuses on the following qualities in identifying and evaluating candidates for Board membership: background, experience and skills; character, reputation and personal integrity; judgment; independence; diversity; commitment to the company and service on the Board; and any other factors that the Committee may determine to be relevant and appropriate. There is no specific policy regarding diversity of the Board; however, the Committee values diversity, which it views holistically in terms of gender, race, background and experience, among other factors, as considerations in selecting members to serve on the Board. The Committee believes that the diversity of the Board's current composition provides significant benefits to the company. The Board membership (2012) includes seven men and three women; nine Board members are white and one is African-American.

Each year, the Nominating and Corporate Governance Committee leads the Board in a self-evaluation to determine whether the Board and its Committees are functioning effectively. The Committee oversees the evaluation process and reports to the Board on the process and results of the evaluations, including any recommendations for proposed changes. Where appropriate, this process would include economic, environmental or social matters.

Management Planning and Development Committee

The Management Planning and Development Committee has oversight responsibility for the company's overall compensation structure, including review of its compensation practices, with a view to

assessing associated risk. The Board as a group is regularly updated on specific risks in the course of its review of corporate strategy, business plans and reports to the Board by its respective Committees.

For additional details on the Board Committee composition, visit our investor relations website at <http://info.cvsremark.com/investors>.

Board Attendance

Directors are expected to attend Board and their respective committee meetings, as well as the annual meeting of stockholders. In 2011, each Director attended at least 75 percent of the Board and committee meetings of which he or she was a member.

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.

Board Leadership Structure

The Board believes that the company and its stockholders are best served by having the flexibility to either have the same individual serve as Chairman and CEO, or two separate persons in those roles. Currently, our Board is led by an independent Chairman who presides over all meetings of the Board and works with the CEO, who is a member of the Board, to set meeting agendas and schedule Board meetings. The independent Chairman has the authority to call and to lead independent Director sessions and the ability to retain independent legal, accounting or other advisors in connection with these sessions; facilitate communication and serve as a liaison between the CEO and the other independent directors; and advise the CEO of the informational needs of the Board.

The Board believes that Board independence and oversight of management are effectively maintained through the independent Chairman, Board's composition and Committee system. If in the future the Board decides that a non-independent Chairman should lead, then it will appoint an independent Lead Director. The Board also believes that it is not necessary to adopt a rigid policy restricting its

discretion in selecting the Chairman of the Board (as well as restricting the ability to combine the positions of Chairman and CEO if future circumstances warrant), because this would deprive the Board of the ability to select the most qualified and appropriate individual to lead the Board as Chairman at any particular point in time.

Contact with the Board of Directors

Stockholders and other parties, including employees, interested in communicating directly with the Board of Directors may do so in writing to the company. The Corporate Secretary of the company reviews all such correspondence and regularly forwards to the Board a summary of all correspondence that deals with the functions of the Board or its committees. Directors regularly review a log of all correspondence received by the company that is addressed to members of the Board.

Stockholder Proposals

In accordance with Securities and Exchange Commission (SEC) rules, we reprint properly submitted stockholder proposals and supporting statements, as they were submitted to us, in our annual proxy statement. Once filed, we proactively engage with the filing parties in order to better understand and address their concerns. It is worth noting that, among S&P 500 companies including CVS Caremark, an increasing number of stockholder proposals have been filed in recent years on topics relating to political contributions, lobbying expenditures and disclosures, corporate governance structure and executive compensation. A stockholder proposal regarding political contributions and expenditures will be brought for a vote at the 2012 annual meeting. Also raised for a vote will be a proposal by the company to amend the company's Charter to allow stockholders to take action by written consent by less than unanimous approval.

Other Governance Practices

Executive Compensation

CVS Caremark's management and Board of Directors recognize that executive compensation is an important and relevant issue in corporate governance. Our policies and programs continue to be designed to ensure an appropriate link between pay, company and individual

performance, and shareholder returns. With the oversight of the Management Planning and Development Committee, our executive compensation policies and programs are designed to attract, retain and motivate talented leaders to drive company performance. This Committee also evaluates and monitors our executive compensation strategy to ensure our approach is aligned with best practices among our peer group.

We are committed to a “pay-for-performance” philosophy, and we demonstrate that commitment by delivering a significant portion of our executives’ annual compensation in long-term, multi-year “at risk” equity awards whose ultimate value, if any, will depend on the company’s future financial and stock performance. It is not only financial performance that is important to us as a company; customer service and satisfaction metrics are an important factor in the determination of annual incentive award funding not only for executives, but for all annual incentive award recipients. In addition, we have a “claw back” provision that allows the company to recoup annual and long-term incentive awards if it is determined that fraud or financial misconduct, which allowed the executive to receive an award, had occurred. All of these actions further reinforce a strong alignment of our executives’ interests with those of our stockholders.

As required by the Dodd-Frank Wall Street Reform and Consumer Protection Act, we asked our stockholders at the 2011 annual meeting to provide advisory approval of the compensation paid to our executives. The vote was overwhelmingly positive, with 91 percent of the stockholders voting in support of our executive pay programs. Additionally, CVS Caremark had its first non-binding vote on the frequency of stockholder say-on-pay votes. Going forward, say-on-pay votes will be held annually, in response to the 85 percent stockholder vote in favor of the company-recommended annual vote frequency.

To further demonstrate our commitment to linking pay and performance, we have added an additional measure – total shareholder return – to our three-year long term incentive plan to complement the return on net assets measure. We believe that adding

total shareholder return as a measure will result in executive awards that reflect the market’s view of our achievements and further align executive pay with satisfaction of stockholder objectives.

Additionally, we have policies in place that address concerns raised by stockholders at many companies regarding benefits payable under a supplemental executive retirement plan (SERP) and tax gross-up payments available to executives. Under these policies, our SERP plan is now closed, and no excise tax gross-up, or any other kind of tax gross-up, will be offered to additional executive officers in the future.

Political Activities and Contributions

CVS Caremark participates in the political process to help shape public policy and address legislation that has a direct impact on the company. The engagement ensures that the interests of our business, customers, shareholders and employees are fairly represented at all levels of government.

As a health care company, CVS Caremark believes that staying informed on political matters that impact how health care is delivered, which in turn impacts our business and our customers, is critically important. It is CVS Caremark policy that the CEO and the Board of Directors are responsible for determining the company’s policy and political interests and deciding how to further those interests in a manner that is consistent with applicable laws. Our activities include lobbying, campaign contributions, educational outreach, and other related activities that promote efforts to improve how pharmacy care is delivered in this country.

CVS Caremark’s Government Affairs team represents the company’s point of view in Washington, D.C. and in state capitals around the country. Working with the businesses, the Government Affairs team focuses on legislative and public policy issues that impact the company’s delivery of pharmacy care and long-term business interests and communicates with policymakers and stakeholders on issues that impact our business.

Lobbying Activity

Lobbying is highly regulated in the United States and CVS Caremark complies with applicable U.S. federal and state laws, including the Lobbying Disclosure Act and Honest Leadership and Open Government Act that require reporting on lobbying activities and certification of compliance with Congressional gift rules. CVS Caremark's federal lobbying reports can be found at <http://lobbyingdisclosure.house.gov/>.

Political Donations

CVS Caremark is prohibited by federal law from making contributions to candidates or political parties in federal elections. As with many corporations, CVS Caremark offers certain eligible employees an opportunity to participate in the political process by contributing to a company-sponsored Political Action Committee. Political contributions to federal candidates, political party committees and political action committees are made by the company's employee political action committee, the CVS Caremark Corporation Employees PAC (CVS Caremark-EPAC). Consistent with federal law, CVS Caremark pays the administrative, solicitation and compliance costs of CVS Caremark-EPAC, but contributions to the PAC are only funded with voluntary contributions from eligible CVS Caremark employees.

The activities of the CVS Caremark-EPAC are subject to comprehensive regulation by the federal government, including detailed disclosure requirements. The CVS Caremark-EPAC files monthly reports of receipts and disbursements with the Federal Election Commission (FEC), as well as pre-election and post-election FEC reports. All political contributions over \$200 are shown in the public information made available to the FEC. Under the Lobbying Disclosure Act of 1995, CVS Caremark submits to Congress semi-annual reports, which also include a listing of CVS Caremark-EPAC's contributions to federal candidates. Those reports are publicly available at <http://lobbyingdisclosure.house.gov/>.

In 2010, the U.S. Supreme Court ruled that corporations have a First Amendment right to make independent expenditures, including advocating for the election or defeat of a clearly identified

federal candidate. (See *Citizens United v. FEC*). CVS Caremark has not made any independent expenditures in federal, state or local elections.

At the state level, the company's political contributions are also subject to regulation. Although some states have not banned corporate contributions to candidates or political parties, all states require that such contributions be disclosed either by the recipient or by the donor. Any information regarding the corporate contributions made by CVS Caremark to state candidates, political parties or ballot initiative committees is publicly available. The CVS Caremark-EPAC also makes state-level contributions in some states, which are disclosed as required by law. CVS Caremark also operates employee-funded state PACs in Rhode Island, Massachusetts and New York.

Details regarding CVS Caremark's political contributions are updated semi-annually on the company's website at <http://info.cvscaremark.com/contributions>. Semi-annual reports include contributions made during the covered period to federal candidates, leadership PACs, political parties, political committees and other political entities. At the state level, semi-annual reports include the aggregate contributions made by state. All of the CVS Caremark-EPAC contributions are disclosed according to the requirements of the Federal Election Commission.

Trade Association Participation

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

In 2011, CVS Caremark paid approximately \$3 million in dues to federal and state trade and industry associations. Details regarding CVS Caremark's trade

association membership dues are updated semi-annually. These reports include the aggregate amount spent on dues for any trade or industry association with annual dues of \$25,000 or more and can be found at <http://info.cvscaremark.com/associations>.

Stakeholder Engagement

CVS Caremark benefits from engaging with stakeholders from key external and internal groups that are aligned with our goal of improving health outcomes while lowering overall health care costs. We also seek to actively engage with customers and community stakeholders in areas where we live and work. Below are some of the ways we engage and encourage communication with our stakeholders.

In addition to our annual employee engagement survey (p. 26) and ongoing retail and PBM customer outreach (p. 20), in August and September 2011 we conducted a survey of national policy influencers to measure CVS Caremark's current reputation, inform strategies for strengthening CVS Caremark's reputation, identify health care issues that offer strong opportunities for thought leadership, assess awareness and opinions of CVS Caremark's integrated business model, and identify key metrics for tracking the impact of communications over time. In assessing important issues where CVS Caremark could make a difference, respondents identified medication adherence, improving quality and reducing costs and chronic disease as key areas of focus.

In November and December 2011, CVS Caremark conducted qualitative and quantitative research with individuals who would be likely to use health insurance exchanges as part of health reform beginning in 2014. The survey discovered that widespread confusion and misinformation exists around the Affordable Care Act (ACA) and while awareness of ACA and exchanges may grow, consumers will still need assistance to understand upcoming changes. Individuals surveyed expressed interest in a range of resources that could be provided by a retail company and pharmacists and nurses/nurse practitioners ranked just behind doctors as the most credible sources of information on exchanges. These findings will help to inform CVS Caremark's activities to support customers and patients in regard to health exchanges.

ENGAGEMENT WITH KEY STAKEHOLDER GROUPS

EMPLOYEES

Employee engagement surveys, focus groups, newsletters, intranet, community projects

NON-GOVERNMENTAL ORGANIZATIONS

Roundtables, strategic partnerships, online engagement

SUPPLIERS

Procurement contracts
Supplier Ethics Policy

CLIENTS

New clinical product and service innovations, dedicated client sales and account teams, call centers

INVESTORS, SHAREHOLDERS, ANALYSTS

Annual report, quarterly conference calls, meetings and conferences, investor website

CONSUMERS

Expert care and guidance, innovative products and services, consumer research, consumer relations hotlines, social media, websites

LOCAL COMMUNITIES AND CIVIC ORGANIZATIONS

Community engagement programs, volunteering, board memberships

TRADE ASSOCIATIONS

Meetings, reports, collaboration

GOVERNMENT AND REGULATORY AUTHORITIES

Briefings, meetings, regulatory filings

MEDIA

Press releases, social media, websites

ABOUT THIS REPORT

CVS Caremark's 2011 Corporate Social Responsibility (CSR) Report provides an overview of the company's social and environmental commitments, and offers progress updates on the company's CSR-related initiatives and goals. There may be certain events or activities referenced in this report that were initiated in 2011 but came to fruition in early 2012. Our 2011 CSR report is our fifth annual publication of this type. We plan to continue reporting on an annual basis.

Global Reporting Initiative (GRI)

CVS Caremark recognizes the value of universally accepted standards for this type of voluntary reporting. The Global Reporting Initiative (GRI), one of the most accepted frameworks in the world, served as a guide in determining content and performance metrics to include in the 2011 Report. We have provided an index of the GRI standard disclosures, including performance indicators, in this report. It can be found on pp. 78 - 81. Based on the criteria for GRI G3 Guidelines and Application Levels, the 2011 CVS Caremark CSR Report meets requirements for Level B. More information on GRI is available at www.globalreporting.org.

Materiality Assessment

As part of this year's reporting process, we commissioned a third party to help us identify and prioritize the company's material issues.

The process for determining materiality involved gathering inputs from various internal and external sources, and then evaluating and prioritizing the issues found based on their relevance and importance to the company and significance to stakeholders. The sources used in this process included:

- Internal documents and plans that articulated the company's business objectives and strategies, policies, programs and risk factors
- Communications prepared by the company for external release
- Feedback and insights from employees and customers
- Shareholder communications and any actions filed against the company
- Traditional media coverage
- Online and social media outlets
- Industry trade groups
- General trending issues of relevance

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 the assessment and a review of the GRI Guidelines, the material issues of greatest importance to CVS Caremark and its stakeholders, over which the company has a reasonable level of control with respect to its related business activities, fall into the following areas: evolving role of health care, privacy practices, governance practices, stakeholder engagement, political contributions and public policy, management of the company's carbon footprint and meeting customer needs.

Reporting Year

CVS Caremark fiscal year 2011 (January 1, 2011 to December 31, 2011), 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 31, 2011. The report was reviewed and approved by members of CVS Caremark senior management. However, this report has not been externally audited or verified by an independent third

party, and at this time, the company does not have a policy for external assurance of its CSR Report.

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 31, 2011 and in its reports filed quarterly on Form 10-Q.

GLOBAL REPORTING INITIATIVE (GRI) INDEX

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| 1.1 | Statement from the most senior decision maker of the organization (e.g., CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy. | Statement from the CEO | F | 5 |
| 1.2 | Description of key impacts, risks, and opportunities. | Statement from the CEO About this Report | F | 5, 76, 77 |
| Organizational Profile | | | | |
| 2.1 | Name of the organization. | CVS Caremark Company Profile | F | 6 |
| 2.2 | Primary brands, products, and/or services. | CVS Caremark Company Profile | F | 6 |
| 2.3 | Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures. | CVS Caremark Company Profile | F | 6 |
| 2.4 | Location of organization's headquarters. | CVS Caremark Company Profile | F | 6 |
| 2.5 | Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report. | CVS Caremark Company Profile | F | 6 |
| 2.6 | Nature of ownership and legal form. | CVS Caremark Company Profile | F | 6 |
| 2.7 | Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries). | CVS Caremark Company Profile | F | 6 |
| 2.8 | Scale of the reporting organization. | CVS Caremark Company Profile | F | 6, 7 |
| 2.9 | Significant changes during the reporting period regarding size, structure, or ownership. | CVS Caremark Company Profile | F | 6 |
| 2.10 | Awards received in the reporting period. | Helping People on Their Path to Better Health A Pharmacy Innovation Company Committed to Its People Corporate Governance | F | 11, 24, 70 |
| Report Parameters | | | | |
| 3.1 | Reporting period (e.g., fiscal/calendar year) for information provided. | About this Report | F | 77 |
| 3.2 | Date of most recent previous report (if any). | About this Report | F | 76 |
| 3.3 | Reporting cycle (annual, biennial, etc.) | About this Report | F | 76 |
| 3.4 | Contact point for questions regarding the report or its contents. | About this Report | F | 77 |
| 3.5 | Process for defining report content. | About this Report | F | 76 |
| 3.6 | Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). | About this Report | F | 76 |
| 3.7 | State any specific limitations on the boundary of the report. | About this Report | F | 76 |
| 3.8 | Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations. | About this Report | F | 76 |
| 3.9 | Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. | Innovating for a Healthier Environment About this Report | F | 51, 53, 76 |

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| 3.10 | Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods). | Innovating for a Healthier Environment | F | 53 |
| 3.11 | Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report. | About this Report | F | 76 |
| 3.12 | Table identifying the location of the Standard Disclosures in the report. | GRI Index | F | 78 |
| 3.13 | Policy and current practice with regard to seeking external assurance for the report. If not included in the assurance report accompanying the sustainability report, explain the scope and basis of any external assurance provided. Also explain the relationship between the reporting organization and the assurance provider(s). | About this Report | F | 77 |
| Governance, Commitments, and Engagement | | | | |
| 4.1 | Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight. | Corporate Governance | F | 71 |
| 4.2 | Indicate whether the Chair of the highest governance body is also an executive officer. | Corporate Governance | F | 72 |
| 4.3 | For organizations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members. | Corporate Governance | F | 71 |
| 4.4 | Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body. Identify topics related to economic, environmental, and social performance raised through these mechanisms during the reporting period. | Corporate Governance | F | 72 |
| 4.5 | Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance). | Corporate Governance | F | 73 |
| 4.6 | Processes in place for the highest governance body to ensure conflicts of interest are avoided. | Corporate Governance | F | 70 |
| 4.7 | Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity. | Corporate Governance | F | 71 |
| 4.8 | Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation. | Our Purpose Corporate Integrity and Business Practices | F | 4, 65, 68 |
| 4.9 | Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles. | Corporate Governance | F | 71 |
| 4.10 | Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance. | Corporate Governance | F | 71 |
| 4.11 | Explanation of whether and how the precautionary approach or principle is addressed by the organization. | Helping People on Their Path to Better Health | F | 16 |
| 4.12 | Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses. | Corporate Integrity and Business Practices | F | 67 |
| 4.13 | Memberships in associations (such as industry associations) and/or national/international advocacy organizations. | Corporate Governance | F | 74 |
| 4.14 | List of stakeholder groups engaged by the organization. | Corporate Governance | F | 75 |

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| 4.15 | Basis for identification and selection of stakeholders with whom to engage. | Corporate Governance | F | 75 |
| 4.16 | Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group. | Helping People on Their Path to Better Health A Pharmacy Innovation Company Committed to Its People Corporate Governance | F | 18, 20, 26, 75 |
| 4.17 | Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. | Helping People on Their Path to Better Health Corporate Governance | F | 20, 75 |
| Economic Performance Indicators | | | | |
| 5.0 - DMA | Disclosure on the organization's management approach regarding its economic impacts throughout society. | CVS Caremark Corporate Profile Helping People on Their Path to Better Health Social Commitment and Philanthropy | F | 7, 15, 41 |
| EC1 - core | Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments. | CVS Caremark Corporate Profile Social Commitment and Philanthropy | P | 7, 41 |
| EC8 - core | Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement. | Helping People on Their Path to Better Health A Commitment to Diversity | F | 15, 36 |
| Environment Performance Indicators | | | | |
| 5.0 - DMA | Disclosure on the organization's management approach to environmental sustainability. | Innovating for a Healthier Environment | F | 51 |
| EN3 - core | Direct energy consumption by primary energy source. | Innovating for a Healthier Environment | F | 56 |
| EN4 - core | Indirect energy consumption by primary source. | Innovating for a Healthier Environment | F | 56 |
| EN5 - add | Energy saved due to conservation and efficiency improvements. | Innovating for a Healthier Environment | F | 58 |
| EN7 - add | Initiatives to reduce indirect energy consumption and reductions achieved. | Innovating for a Healthier Environment | F | 58 |
| EN8 - core | Total water withdrawal by source | Innovating for a Healthier Environment | F | 59 |
| EN16 - core | Total direct and indirect greenhouse gas emissions by weight. | Innovating for a Healthier Environment | F | 53 |
| EN18 - add | Initiatives to reduce greenhouse gas emissions and reductions achieved. | Innovating for a Healthier Environment | F | 53, 54 |
| EN23 - core | Total number and volume of significant spills. | Innovating for a Healthier Environment | F | 55 |
| EN26 - core | Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation. | Innovating for a Healthier Environment | F | 61 |

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| Human Rights Performance Indicators | | | | |
| 5.0 - DMA | Disclosure on the organization's management approach regarding human rights in its operations and throughout the supply chain. | Corporate Integrity and Business Practices | F | 67 |
| HR1 - core | Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening. | Corporate Integrity and Business Practices | F | 68 |
| Labor Practices & Decent Work Performance Indicators | | | | |
| 5.0 - DMA | Disclosure on the organization's management approach to workforce diversity, programs and services for diverse communities, supplier diversity initiatives, workforce engagement and development. | A Pharmacy Innovation Company Committed to Its People A Commitment to Diversity | F | 23, 33 |
| LA1 - core | Total workforce by employment type, employment contract, and region, broken down by gender. | A Commitment to Diversity | F | 34, 35 |
| LA3 - add | Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation. | A Pharmacy Innovation Company Committed to Its People | F | 23 |
| LA4 - core | Percentage of employees covered by collective bargaining agreements. | A Pharmacy Innovation Company Committed to Its People | F | 30 |
| LA8 - core | Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases. | A Pharmacy Innovation Company Committed to Its People | F | 24, 25 |
| LA11 - add | Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings. | A Pharmacy Innovation Company Committed to Its People | F | 28-29 |
| LA13 - core | Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity. | A Commitment to Diversity Corporate Governance | F | 34-35, 71 |
| Society Performance Indicators | | | | |
| 5.0 - DMA | Disclosure on the organization's management approach to participating in public policy and the political process. | Corporate Governance | F | 73 |
| SO3 - core | Percentage of employees trained in organization's anti-corruption policies and procedures. | Corporate Integrity and Business Practices | F | 65 |
| SO5 - core | Public policy positions and participation in public policy development and lobbying. | Corporate Governance | F | 73 |
| SO6 - add | Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country. | Corporate Governance | F | 74 |
| Product Responsibility Performance Indicators | | | | |
| 5.0 - DMA | Disclosure on the organization's management approach to product responsibility. | Helping People on Their Path to Better Health | F | 15 |
| PR2 - add | Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes. | Helping People on Their Path to Better Health | P | 16 |
| PR3 - core | Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements. | Helping People on Their Path to Better Health | F | 16 |
| PR5 - add | Practices related to customer satisfaction, including results of surveys measuring customer satisfaction. | Helping People on Their Path to Better Health | F | 20 |



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