



 **CVS**  
Health®

# Prescription for a Better World

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# “All this work is rooted in our company’s values: innovation, collaboration, caring, integrity and accountability.”

## Dear Stakeholders:

CVS Health is a pharmacy innovation company with a clear purpose — helping people on their path to better health. We aim to accomplish this by addressing critical health care issues and maintaining our focus on delivering affordable, accessible and effective health care.

With nearly 36,000 pharmacists, nurses, nurse practitioners and physician assistants, as well as 73,000 pharmacy technicians, our company is at the heart of health care delivery. Our corporate social responsibility (CSR) strategy supports these efforts — growing our business while building social impact and delivering on our purpose. We’re proud of all that we have accomplished and I invite you to read about our advancements in this, our tenth CSR report. The three pillars of our Prescription for a Better World — **Health in Action**, **Planet in Balance** and **Leader in Growth** — provide the framework for our CSR strategy.

Through **Health in Action**, we’ve continued to innovate to meet the evolving health care needs of patients and customers. For example, in 2016 we broadened the services available to our MinuteClinic® patients,

expanded our assortment of healthier foods and beverages to more than 2,900 stores nationwide, and through Project Health connected more than 100,000 people with limited resources to preventive health services.

**Planet in Balance** ensures that environmental sustainability is embedded in our approach to business operations and product development. As part of our work to reduce our climate impacts, we are working to establish a science-based target for lowering our greenhouse gas emissions. We have also committed to sourcing all palm oil sustainably by 2020.

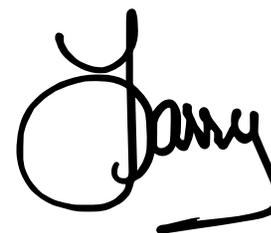
As a **Leader in Growth**, we leverage the power and scale of our business to create economic opportunities and value for colleagues, customers, suppliers and investors. Most notably, in 2016 we achieved our target of spending \$1 billion with diverse suppliers across our business — one year ahead of schedule.

We also launched our enterprise-wide Human Rights Policy, which supports our commitment as a safe and rewarding place of work and extends this responsibility to our supply chain.

All this work is rooted in our company’s values: innovation, collaboration, caring, integrity and accountability. When we carry out these values, we’re leading with heart — a common theme you’ll notice throughout this year’s report.

We have much more to share with you and, as always, welcome your feedback and suggestions for future progress. I want to thank our Board of Directors and the 250,000 colleagues who have embraced CSR and made it an integral part of their jobs each and every day.

Sincerely,



Larry J. Merlo  
President and Chief Executive Officer

**“*Prescription for a Better World* is more than the title of our report; it’s a comprehensive approach to CSR that engages colleagues across our organization to make measurable progress in fulfilling our purpose — helping people on their path to better health.**”

Together, we celebrated many accomplishments in 2016. Our work in Health in Action has made health care more affordable and accessible. Our commitment to a Planet in Balance has resulted in more sustainable operations and products. And as a Leader in Growth we’ve become a better employer, improved our supply chain management practices, and continued to build credibility and increase transparency with our stakeholders.

We’ve also continued to build on our commitment to helping people live tobacco-free lives. In 2016 we launched Be the First, a five-year, \$50 million commitment that supports education, advocacy, tobacco control, and healthy behavior programming in partnership with organizations uniquely positioned to tackle this public health challenge.

Earlier this year, the CVS Health Research Institute published a paper in the *American Journal of Public Health* that confirmed that our decision in 2014 to stop selling tobacco reduced the number of cigarette purchases across all retail settings. In other words, it appears that many of our customers stopped buying cigarettes altogether.

Our progress is only possible through collaboration with our many stakeholders. Our engagement with organizations including Ceres and Sustainable Brands helps inform our CSR activities and reporting. For example, the stakeholder engagement session we held with Ceres in early 2016 brought together members of the nonprofit, investor, environmental and corporate sustainability communities for a dialogue on our progress and challenges.

Another important engagement this year was with Safer Chemicals, Healthy Families, an organization working to reduce the use of toxic chemicals in consumer products. As a result of our collaboration, and because we know our consumers want transparency when it comes to ingredients in the products they use, we recently announced the removal of all parabens, phthalates and the most prevalent formaldehyde donors from our extensive line of store brand beauty and personal care products. We’ve also published our full list of restricted ingredients in store brand products on our website.

One of our goals for this year’s Report is to make it easier to learn more about all the topics covered

by our CSR strategy. We hope you enjoy reading our new streamlined, magazine-style reporting format, as well as the feature stories that bring our commitments to life. For those looking for additional detail, a separate index maps our reporting to the Global Reporting Initiative guidelines.

Thank you for taking the time to join us on our CSR journey. We look forward to your feedback.

Sincerely,



Eileen Howard Boone  
Senior Vice President,  
Corporate Social Responsibility and Philanthropy



**Headquarters:**  
Woonsocket, RI



**Employees:**  
250,000 colleagues in  
50 states, the District of Columbia,  
Puerto Rico and Brazil



**Retail locations:**  
More than 9,700



**Walk-in medical clinics:**  
More than 1,100

# Corporate Profile

**CVS Health Corporation (NYSE:CVS) is a pharmacy innovation company helping people on their path to better health.**

Through our more than 9,700 retail locations, more than 1,100 walk-in medical clinics, a leading pharmacy benefits manager with nearly 90 million plan members, a dedicated senior pharmacy care business serving more than one million patients per year, expanding specialty pharmacy services, and a leading stand-alone Medicare Part D prescription drug plan, we enable people, businesses and communities to manage health in more affordable and effective ways.

# 2016: Network and Growth



**9.6K**  
retail pharmacies  
(CVS Pharmacy®)

**84**  
branches for infusion and enteral services, including approximately 73 ambulatory infusion suites and three centers of excellence (Coram®)

**38**  
onsite pharmacy stores (CarePlus CVS Pharmacy™)

**23**  
specialty pharmacy stores (CVS Specialty™)

 **130**  
new retail pharmacy stores opened

 **13**  
specialty mail order pharmacies opened

 **7**  
new MinuteClinic locations opened

**1,100+**  
walk-in medical clinic (MinuteClinic®) locations in 33 states and the District of Columbia

Completed integration of Target pharmacy and clinic and Omnicare® acquisitions

# 2016: Financial Results and Economic Impact

Approximately  
**\$177.5B**  
in revenues



**\$4.91**

in diluted earnings  
per share from  
continuing operations

**\$90M**

in charitable contributions, employee  
giving, in-store fundraising and  
in-kind donations

Approximately  
**\$10.3B**  
in operating profit

**\$30B**  
in payments to  
providers of capital

**\$4.3B**  
in income, property and  
employer taxes in the U.S.

# 2016: Front Store Revenues and Employee Earnings

**\$10B**  
in employee wages



**77.4%**

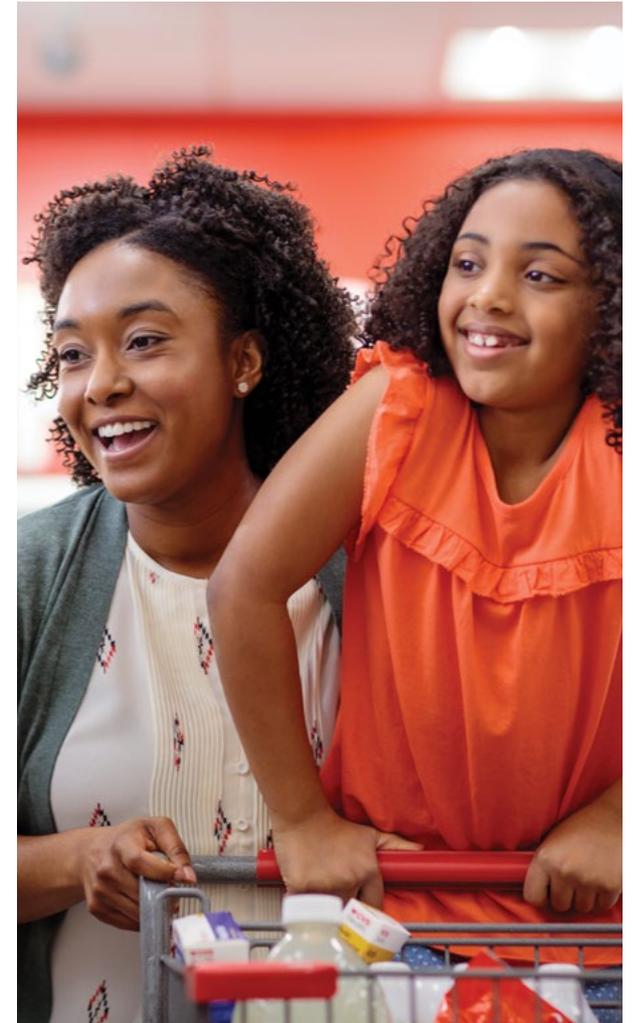
from the sale of national brands manufactured by third-party suppliers

**22.6%**

from the sale of store and proprietary brands



**\$1.3B**  
in employee benefits





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**Helping people  
on their path  
to better health**

# Leading Assets — Cost, Quality and Access

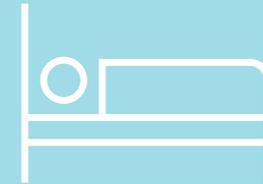
We offer an extensive suite of leading assets that enable us to deliver superior outcomes at lower cost for payors, patients and providers.



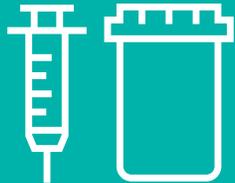
Retail



Mail



Long-term  
Care



Specialty



Digital



Retail  
Clinics



Infusion



Medical  
Claims  
Editing



Clinical  
Programs

# Stakeholder Engagement

**We rely on the input of internal and external stakeholders to develop, execute and evolve our CSR strategy and reporting. They provide valuable insight on existing and emerging issues and we take their input seriously.**

We are proud to be a member of Ceres, a leading nonprofit organization advocating for sustainability leadership. Ceres helped us host a stakeholder engagement session at the beginning of 2016, and some of the feedback we received informed our materiality assessment and reporting efforts. In addition to three representatives from Ceres and 14 CVS Health subject matter experts who were present, the session was attended by eight stakeholders representing the nonprofit, investor, environmental and corporate sustainability communities, including Environmental Defense Fund, Walden Asset Management and the Robert Wood Johnson Foundation.

In 2016, we met with several of our largest investors to ensure that we were meeting their expectations in the area of CSR. We also received detailed feedback on our reporting from Sustainable Brands that helped us to refine the content of this report.

Working with internal and external stakeholders, we continue to develop measurable and time-bound

performance targets to support our strategic priorities and goals, including seven new performance targets in this year's report.

At the beginning of each major section of this report, we address some of the top stakeholder feedback that surfaced in 2016 from key groups and how we responded to it.





# CSR Material Issues

**In 2015, we refreshed our materiality assessment to determine if our CSR material issues had evolved.**

Following the Global Reporting Initiative's (GRI) Principles for Defining Report Content, we identified and prioritized 34 material issues that are relevant to our business, our purpose and our stakeholders. We have used the findings to inform the content of this report and our CSR strategy. We did not update the assessment for this reporting year because we believe the issues remain pertinent.

For more details on our Materiality Assessment process, please visit page 11 in the GRI Index.

# Our CSR Strategy

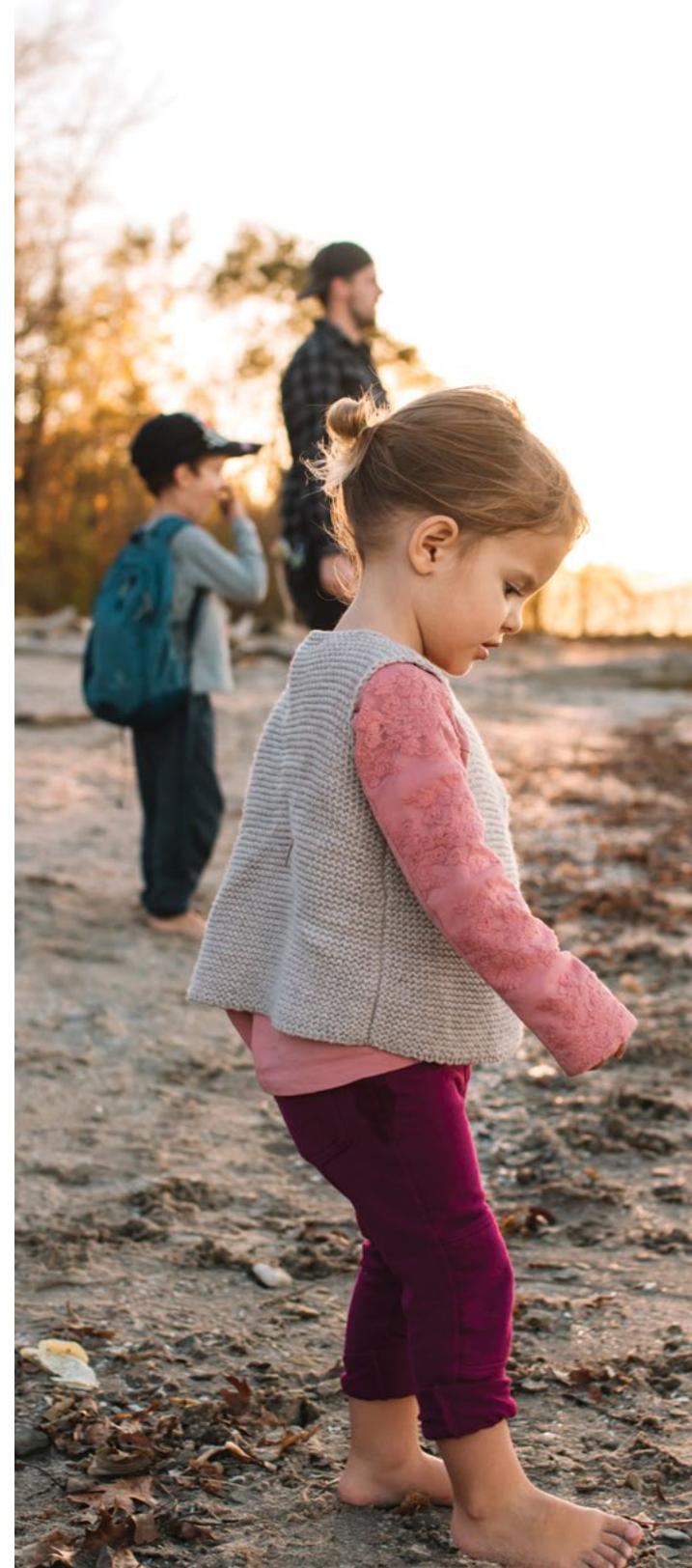
**At CVS Health, everything we do starts with our purpose: helping people on their path to better health.** Our approach to corporate social responsibility is no exception. By organizing around this singular purpose, our Prescription for a Better World framework ensures that we're not only positively impacting society, but also growing our business.

Our material issues define our strategic priorities. We are committed to making health care more affordable and accessible, using resources efficiently, and operating our business with integrity. These priorities are represented by the three pillars that support our strategy: **Health in Action, Planet in Balance and Leader in Growth.**

Our CSR strategy is always forward-looking. Each year, we work with teams across our organization to build on

our successes and identify new ways to maximize our impact and commit to tangible results. Our goal is always to address new issues proactively and increase transparency in the process.

Our 2016 CSR Report marks our tenth year of documenting progress and commitments for our stakeholders. As we look ahead to the next 10 years, we will continue to lead the way in shaping the future of health care.



# Contributing to the United Nation's Sustainable Development Goals

The United Nation's Sustainable Development Goals (SDGs) are a set of 17 aspirational, global goals with the aim of making dramatic progress on development issues by 2030. CVS Health has identified five SDGs where we believe our CSR strategy and initiatives can make the greatest impact. Below, we describe our recent actions in each area, as well as our commitments for the future.

## Goal 3: Good Health and Well-Being

Our company's purpose is helping people on their path to better health. We reach more than 100 million people each year, and continue to innovate to make health care products and services increasingly accessible and affordable for more people. We also support the health and well-being of the communities we serve and invested more than \$90 million in philanthropic support in 2016.

## Goal 4: Quality Education

We introduce under-served youth to the pharmacy profession through training, job shadowing, internships and apprenticeships. In addition to building on youth education programs and expanding educational opportunities to our colleagues, we intend to expand our Registered Apprenticeships program to 3,000 participants by 2020. We work to advance the industries of pharmacy and nursing by providing scholarships to the leaders of tomorrow in both fields, and by supporting the academic aspirations of children of our colleagues.

## Goal 8: Decent Work and Economic Growth

We continue to implement and enforce policies that respect human rights and create economic opportunity throughout our supply chain. We employ 250,000 colleagues and in 2016 paid \$10 billion in wages. Our workforce development initiatives help transition people from public assistance into meaningful jobs at CVS Health.

## Goal 13: Climate Action

The health of our planet is inextricably linked to the health of all people. We are committed to addressing our climate-related impacts by reducing our greenhouse gas emissions and embedding sustainability across our operations.

## Goal 15: Life on Land

We are reducing our paper use and aim to procure all paper from sustainable sources. In 2016, we published our policy on palm oil; our goal is to ensure that by 2020 100 percent of the palm oil we use in our products will come from verified, responsible sources.

We continue to explore ways to align our strategy to support additional goals. Read more about all of the SDGs [here](#).

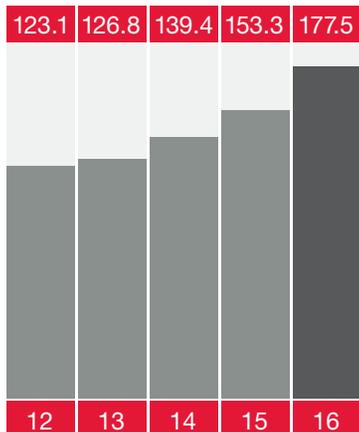


# Financial Highlights

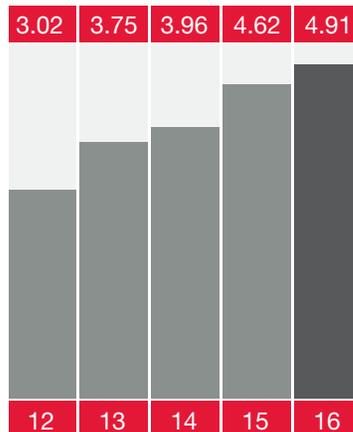
(in millions, except per share figures)	2016	2015	% change
Net revenues	\$177,526	\$153,290	15.8%
Operating profit	\$10,338	\$9,454	9.4%
Net income	\$5,319	\$5,239	1.5%
Diluted EPS from continuing operations	\$4.91	\$4.62	6.3%
Free cash flow*	\$8,075	\$6,456	25.1%
Stock price at year-end	\$78.91	\$97.77	-19.3%
Market Capitalization at year-end	\$84,153	\$107,635	-21.8%

\*Free cash flow is defined as net cash provided by operating activities less net additions to properties and equipment (i.e., additions to property and equipment plus proceeds from sale-leaseback transactions).

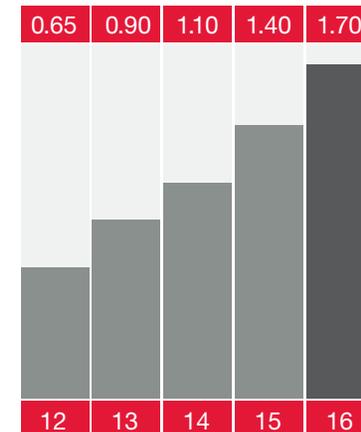
## Net revenue in billions of dollars



## Diluted EPS from continuing operations in dollars



## Annual cash dividends in dollars per common share





# Health in Action

**As a pharmacy innovation company, our greatest opportunity in the area of corporate social responsibility is through Health in Action. Through Health in Action, we are leading with heart by playing an active role in supporting the health and wellness of our patients, our customers, our colleagues, our communities and our nation.**

Our country faces limited access to affordable care, rising rates of chronic disease, an aging population, and an epidemic of prescription drug abuse. We reach more than 100 million people each year, and can help them navigate their health challenges in a variety of ways.

These include helping to ensure that care is more accessible and more affordable for more people; encouraging our customers to consume healthier food; helping patients with chronic disease adhere to complex and challenging medication regimens; and fighting tobacco and prescription drug addiction.

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## Top Accomplishments in 2016



Launch of a 5-year, \$50 million commitment to help create a tobacco-free generation



Continued expansion of services provided through MinuteClinic, one of the nation's largest, most affordable and most accessible sources of care



Expansion of healthy food options to more than 2,900 of our retail stores

# Priorities and Progress

## Health in Action

Strategic Priorities	Goals	Highlights in 2016
Accessible and Affordable Health Care	Increase our reach through our network of integrated care	<ul style="list-style-type: none"> <li>• Added new MinuteClinic services</li> <li>• Expanded outreach to veterans and Hispanics</li> </ul>
	Increase access to affordable health care options for underserved populations	<ul style="list-style-type: none"> <li>• Increased participation in Project Health by 14%</li> <li>• Provided \$117 million worth of free medical services since 2006</li> </ul>
Support for Patients with Chronic Disease	Expand chronic disease management, cessation services and support programs	<ul style="list-style-type: none"> <li>• Added new MinuteClinic services</li> <li>• Launched New Transform Diabetes Care™ program</li> <li>• Extended healthier food offerings to 2,900 stores</li> </ul>
	Improve colleague health	<ul style="list-style-type: none"> <li>• Created new platform and app to help colleagues manage health and wellness</li> <li>• Established one new target:               <ul style="list-style-type: none"> <li>- Increase the proportion of enrolled colleagues who are investing in their Health Savings Accounts and their average HSA account balance by 5% by 2022</li> </ul> </li> </ul>
Patient and Customer Well-Being and Safety	Provide outstanding clinical and service performance	<ul style="list-style-type: none"> <li>• Enrolled more than one million patients in ScriptSync®</li> <li>• Developed new Outbreak Response Initiative</li> </ul>
	Maintain continued focus on quality and services	<ul style="list-style-type: none"> <li>• Formed Patient Safety and Clinical Quality Committee of Board of Directors</li> <li>• Earned five URAC accreditations</li> </ul>
	Ensure safe disposal of medication and combat prescription drug abuse	<ul style="list-style-type: none"> <li>• Advanced analytics to fight prescription fraud</li> <li>• Piloted prescription disposal by mail</li> <li>• Established one new target:               <ul style="list-style-type: none"> <li>- Increase pharmacist community outreach to educate youth and families by reaching 750,000 individuals by 2020</li> </ul> </li> </ul>
	Help create a tobacco-free generation	<ul style="list-style-type: none"> <li>• Launched five-year, \$50 million Be The First campaign</li> <li>• Launched Tobacco-Free Campus Initiative</li> </ul>



## Accessible and Affordable Health Care

The broader insurance coverage provided under the Affordable Care Act has not eliminated the challenges many Americans face in accessing affordable care. Total health care spending has slowed since 2008, but a greater proportion of costs have fallen to consumers thanks to fast-rising premiums and deductibles. And while most Americans say they have a usual place to go to for medical care that isn't an emergency room, a significant shortage of primary care physicians is predicted over the coming decade.

We're committed to bringing accessible and affordable care to as many people as we can. It's the right thing to do — and for the largest pharmacy health care provider in the U.S., it's also a strategy for long-term growth.

Our geographic reach and range of business areas put us in a unique position to support patients, payors and providers in ways that facilitate more accessible and affordable care.

# 61%

Rise in family premiums, 2005–2015



# 255%

Rise in average insurance deductible for covered workers, 2006–2015



# 28%

Americans who put off needed medical care due to affordability concerns in 2016



# 21%

Americans who put off filling a prescription due to affordability concerns in 2016



# 35,600

Deficit of Primary Care Physicians predicted by 2025



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## Expanding Our Reach Through MinuteClinic

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With more than 1,100 locations, MinuteClinic is the nation's largest provider of walk-in medical clinics. In cities and towns across the country, MinuteClinic is providing easier access to caring attention and good counsel for millions of Americans.

The MinuteClinic business model is based on providing affordable, accessible high-quality care:

- **Accessibility** Addressing unmet needs for access to primary care, MinuteClinic is open seven days a week, and half our patients are seen on evenings and weekends. More than 200 clinics were open on Thanksgiving Day 2016, unlike a typical doctor's office. MinuteClinic is addressing unmet needs and acts as an extension of primary care.
- **Affordability** We keep our prices close to cost. Most of our services are available for less than \$100 and more than 80% are covered by insurance. We believe MinuteClinic helps prevent the unnecessary use of higher-cost sites of care — such as emergency rooms — for routine care.
- **Quality** In 2006, MinuteClinic became the first retail health care company to receive Joint Commission accreditation and has since received three consecutive re-accreditations from the Joint Commission, the national evaluation and certification agency. In 2016, nearly 95% of MinuteClinic patients surveyed rated their practitioner an 8, 9, or 10, on a scale of 10, while 93% of patients gave the same ranking to their overall experience.

As a convenient and low-cost nationwide health provider, we see a lot of underserved patients, and we work to integrate them more securely into the health care system. For example, roughly half of the patients we see report not having a primary care provider (PCP). For these patients, we provide the encouragement and support they need to find a PCP. Our providers are equipped with lists of local PCPs and often know which ones are taking new patients.

In 2016, MinuteClinic continued to add new locations, including the conversion of 79 Target store clinics following our 2015 acquisition of Target pharmacy and clinic operations. By year-end, there were a total of 1,139 MinuteClinic locations in 33 states and the District of Columbia. In all, MinuteClinic locations hosted more than 5.5 million patient visits in 2016.

### Broadening our Services

Demand for health care services continues to grow, and providers are struggling to meet the demand. We're continuing to add services at MinuteClinic to fill the gap. In 2015 we began offering care for gastrointestinal illness, muscular-skeletal pain and headaches. In 2016 we added more services, including:

- **Acne and rosacea** This is a powerful unmet need: in parts of the U.S., patients face a 2–3 month wait to see a dermatologist for diagnosis and treatment.
- **Human Papillomavirus (HPV) vaccination** HPV can cause cancers in both males and females, but vaccination rates are still below the ideal rate.
- **Travel health** In June 2016, we began offering pre-travel risk assessments and plans based

on CDC guidance. We also offer typhoid vaccination, hepatitis A vaccination, anti-malaria medication and other travel-related services.

- **Sexually Transmitted Infections (STIs)** In November 2016, we launched treatment for patients with known exposure to STIs. In 2017 we plan to launch diagnosis and treatment services.

This list covers only non-chronic conditions; more detail on services for chronic conditions can be found [here](#). Look [here](#) for MinuteClinic's full Scope of Services.

### Serving Diverse and Underserved Populations

By expanding our MinuteClinic locations and services, we're reaching a more diverse range of patients and refining our ability to meet their needs.

For example, in 2016, we launched a Spanish-language input option at all of our MinuteClinic sign-in kiosks nationwide. We also operate a MinuteClinic in one of our Navarro Discount Pharmacy® locations, a chain we acquired in 2014 that serves the Hispanic community in South Florida.

We continue to invest in options in telehealth, which aims to provide better care to a wider range of patients using digital technologies. We are evaluating the results of 2015 pilots in Texas and California that demonstrated we could use telehealth to deliver high-quality care and achieve high levels of patient satisfaction. We have also formed partnerships with telehealth providers to raise awareness of additional options for patients who live far from a MinuteClinic.

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## Veterans: You Don't Have to Wait

Challenged by long wait times, the Veterans Affairs (VA) Health Care System has launched a first-of-its-kind partnership with CVS Health to offer urgent care services through MinuteClinic to more than 60,000 veterans in California.

Beginning in 2016, veterans served by the VA in Palo Alto were referred to a MinuteClinic location for acute care services with no out-of-pocket costs. Veterans could fill prescriptions at CVS Pharmacy using the VA formulary, and MinuteClinic patient records were integrated with the VA's own electronic health records.

Early results from the pilot have demonstrated high patient satisfaction and average wait times of just 18 minutes. CVS Health looks forward to partnering with other VA systems across the country to expand this program and provide veterans with the quality care they deserve.

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Using the CVS Pharmacy app or website, patients can find the nearest MinuteClinic, learn the current wait time and reserve a time slot based on availability.



### Facilitating Access through Convenience

When it comes to health care, there's a clear connection between convenience, access and outcomes. For patients with busy lives, tight budgets or mobility challenges, any roadblock to obtaining an important screening or treatment can lead to a cascade of undesired effects.

New services and technologies are helping us to eliminate roadblocks to care for our patients. They also improve our own allocation of personnel and resources, which ultimately helps our bottom line. These new services include:

- **Hold My Place in Line and Wait Time Visibility** Using the CVS Pharmacy app or website, patients can find the nearest MinuteClinic, learn the current wait time and reserve a time slot based on availability. These applications, which were expanded to all MinuteClinic locations in April 2016, empower patients and significantly reduce wait times.
- **Time of Service Scheduling** MinuteClinic providers can now schedule a follow-up visit with patients during a visit. Providers are utilizing this feature to follow up with patients who present with illnesses such as bronchitis. This service is especially valuable for patients who do not yet have a primary care physician or who are seeking wellness services such as smoking cessation and weight management.
- **Patient Self-Service Scheduling** This service, which is piloting in 2017, will allow MinuteClinic patients to schedule their own appointments through the CVS Pharmacy app or website one to seven days in advance.

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## Supporting Health Care in Our Communities

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At the heart of our purpose is our commitment to supporting the communities we serve. Whether we're helping underserved patients or communities, making prescription drugs more affordable, or educating patients about the health care system, our commitment to accessible and affordable care goes well beyond the walls of our stores.

### Reaching Diverse Communities through Project Health

Through Project Health, we connect people with limited resources to preventive health services. At [Project Health](#) events, qualifying patients are offered a range of free health screenings and individual consultations with a nurse practitioner and CVS pharmacist.

Now in its eleventh year, Project Health continues to grow. In 2016, we reached more than 100,000 participants in local communities, a 14% increase over the previous year. We credit the increase to additional promotional efforts in local communities. For example, in 2016 we hired street teams to hand out flyers announcing upcoming Project Health events in the area. We also encouraged local legislators to attend the events and publicize them through social media.

Project Health events aim to serve patients who are especially prone to chronic disease — including black and Hispanic women ages 35–64. Our data shows that Project Health participants have significantly higher levels of abnormal blood pressure, body mass index, glucose and total cholesterol than national averages.

We believe Project Health is succeeding not only in identifying health risks among these patients, but also leading patients on their path to better health.

Our research suggests that 32% of attendees first became aware of a health condition or concern as a result of their screening at a Project Health event. While most Project Health participants have primary care physicians, they may lack the resources to obtain screenings, schedule follow-up appointments or manage chronic conditions. All Project Health participants are offered referrals to nearby no-cost or low-cost sources of primary care. In a post-event survey, 87% of patients are following up with a PCP — 58% of participants said they had already scheduled a follow-up visit with a physician. Another 29% said they had plans to visit in the next few months.

Project Health will continue providing vital preventive care to local communities in 2017.

### Support through Charitable Giving

All of our philanthropic activities align with our purpose. In 2016, we provided more than \$90 million in charitable

support through the [CVS Health Foundation](#), corporate grants, gifts-in-kind, employee giving and fundraising and other community investments.

In 2016, the CVS Health Foundation advanced its commitment to help improve care coordination, manage chronic conditions and increase access to care. For example:

- We have made a multi-year, [multi-million dollar commitment](#) to increase access to health care in communities nationwide. We make grants to community health organizations through partnerships including the National Association of Free & Charitable Clinics and the National Association of Community Health Centers.
- In February 2016, we [announced](#) a \$550,000 commitment to the Alzheimer's Association to support expanded provider education and diagnosis resources to individuals living with Alzheimer's disease and their caregivers through their local chapters across the U.S.

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# Project Health since 2006

**8K+**  
Project Health events

**3.1M**  
biometric screenings  
performed

**\$117M**  
Value of health  
offerings

**888K**  
Patients seen

**31%**  
of participants have  
high blood glucose

**14K**  
smoking cessation  
counseling sessions



In 2016, we provided more than \$90 million in charitable support through the CVS Health Foundation, corporate grants, gifts-in-kind, employee giving and fundraising and other community investments.

We also helped communities during times of disaster in 2016:

- In June, we donated \$100,000 to the OneOrlando Fund to support victims and families affected by the Pulse nightclub tragedy. CVS Pharmacy locations in Florida also held an in-store fundraising campaign for the OneOrlando Fund.
- In July, we opened a mobile pharmacy in Elkview, WV, to serve community members whose pharmacies were damaged or destroyed by extensive flooding in the area.
- In August, the CVS Health Foundation donated \$100,000 in cash and in-kind support to flood victims in central Louisiana. We also opened a mobile trailer in an affected area to serve patients' needs.
- We reached out via automated messages to more than 3 million patients impacted by natural disasters in 2016, including Snowstorm Jonas, the Louisiana floods, Hurricane Matthew and the Tennessee forest fires. Automated messages reminded patients to check their medication supply prior to a forecasted event and alerted them about whether nearby stores were open or closed.

Automated pharmacy notifications are successful in encouraging patients with chronic conditions to refill medications prior to a natural disaster, according to a study published in December 2016. The research, by the CVS Health Research Institute and the U.S. Department of Health and Human Services, was published in *JAMA Internal Medicine*.

We provide further details of our philanthropic impact in the appropriate sections of this report, including

Tobacco-Free Lives, Combating Prescription Drug Abuse and Best-In-Class Workplace.

### **Making Prescription Drugs More Affordable**

Medication costs continued to rise in 2016, driven in part by high launch prices for branded drugs, price increases for older drugs and the rise of expensive specialty drugs.

Patients who are uninsured or are in certain health plans continue to face high out-of-pocket costs for essential medicines. Helping people save on prescription drugs is just one way that we are leading with heart.

### **Access to Affordable Insulin**

In March 2017, we announced a new prescription savings program, Reduced Rx™, that offers discounts on certain medications for patients who are paying out of pocket. We developed Reduced Rx with the pharmaceutical company Novo Nordisk, which at the program's introduction will offer certain brands of human insulin at a cost to cash-paying patients of \$25 per 10 ml vial — a savings of up to \$100. With nearly 10% of the U.S. population living with diabetes, ensuring that patients have access to affordable insulin is more important than ever.

Reduced Rx will allow patients to purchase medications at a reduced cost at any of the more than 67,000 pharmacies in the CVS Caremark® retail network, including the more than 9,700 CVS Pharmacy locations throughout the U.S. Following its initial offering with Novo Nordisk, CVS Health intends to expand the Reduced Rx prescription savings program to other medications and to address other conditions.

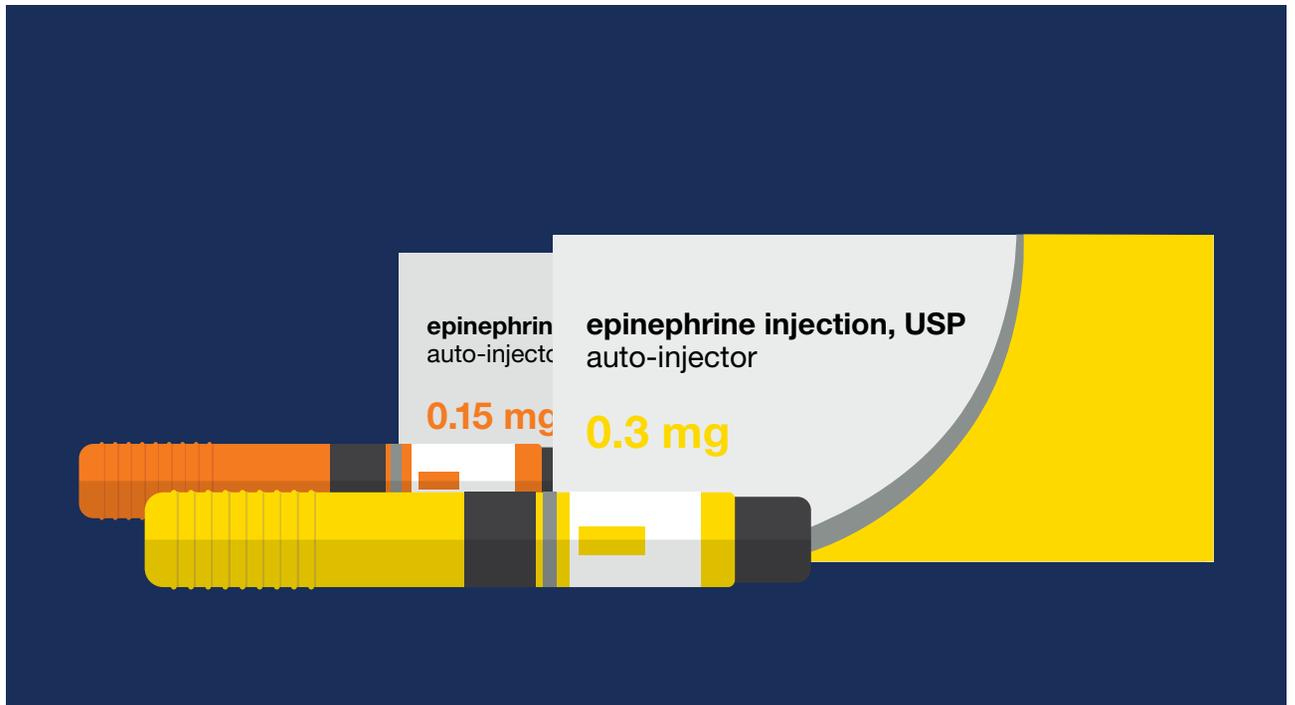
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## Lower-Cost Emergency Allergy Injections

In January 2017, we introduced a low-cost alternative to auto-injectable epinephrine. Patients with life-threatening allergies need immediate access to an epinephrine injection. But the cost of the brand-name epinephrine auto-injector pen, EpiPen<sup>®</sup>, has increased sharply in recent years.

In response, we partnered with a generic manufacturer to offer the lowest-cost auto-injector option available on the market. At the time of introduction, our authorized generic of Adrenaclick<sup>®</sup> two-pack was about one-sixth the cost of the brand-name drug and one-third the cost of the authorized generic.

We're giving families across the nation an affordable option for a life-saving medication. And, of course, introducing a new version of a popular medication makes good business sense for us as well.



### **Controlling Costs through New Formulary Strategies**

CVS Health uses its size, scale and expertise to introduce cost management strategies that enable us to negotiate better prices and bring down costs for our patients, clients and plan members. For example, we've led the industry with our formulary strategies that incorporate drug coverage, tiering and utilization management to drive cost-effective solutions while providing clinically appropriate alternatives for members.

In 2016, we announced a formulary management strategy with new, market-leading enhancements. For example, two higher-cost biologic drugs will be substituted with more affordable "biosimilar" drugs with similar clinical characteristics. We also continue to monitor each quarter against egregious drug price increases. We expect to remove 35 products from our standard formulary, including 10 drugs with rapidly rising prices, reducing costs for clients and plan members.

Our cost-management efforts are having an impact on our CVS Caremark clients and 75 million plan members. A recent analysis estimates that pharmacy benefit managers like CVS Caremark save the health care system an average of \$6 for every \$1 spent on their services.

### **Educational Resources to Help Patients**

Today's patients confront a dauntingly complex health care system in which the wrong decision can have a lasting impact on their health or health care spending.

CVS Health is committed to educating patients about this system and helping them make informed decisions.

For the past four years, we've helped customers understand their options during the enrollment period of the marketplace exchanges created under the Affordable Care Act. In collaboration with insurers, in 2016 we hosted nearly 19,000 health insurance education events in CVS Pharmacy locations. These events included one-on-one conversations with representatives from a variety of health plans.

We also provide eligible seniors with convenient and personalized Medicare Part D plan comparisons based on the prescriptions they filled at CVS Pharmacy. Plan comparisons, done over the phone or using our online tool, take into account factors including premiums, deductibles and covered medications. Because Part D plans change each year, and patients' prescription needs may also change, Part D plans can save patients hundreds of dollars.

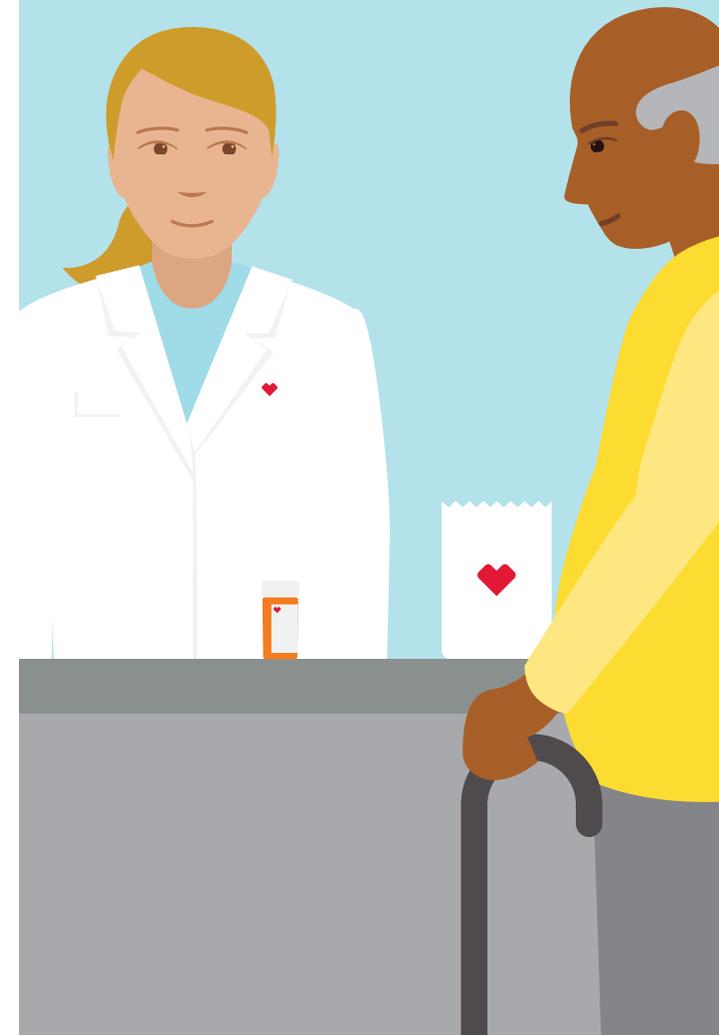
We continue to offer the "myhealthfinder" online tool to increase awareness of preventive health services. Consumers who enter a few basic details receive personalized recommendations about the preventive services they should receive. In 2016, many of these services were covered by most insurance plans without cost to the patient under the Affordable Care Act.

### **Additional CVS Health Services in 2016**

Please see our [Index](#) for details on additional or expanded services provided by CVS Pharmacy stores in 2016.

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**Our cost-management efforts are having an impact on our CVS Caremark clients and 75 million plan members. A recent analysis estimates that pharmacy benefit managers like CVS Caremark save the health care system an average of \$6 for every \$1 spent on their services.**





## Support for Patients with Chronic Disease

Chronic disease is the leading cause of death and disability in the U.S. Diseases such as diabetes, heart disease, cancer and obesity are both common and costly, and can often be prevented. Patients already managing chronic diseases can often benefit from counseling, education, and other resources.

We understand the challenges of coping with chronic disease, and we're here to help our patients, customers, colleagues and communities win the battle. We're offering healthier options at the front of our stores; our pharmacists help patients adhere to their prescriptions; and we're bringing treatment options closer to home through MinuteClinic and Coram infusion services.

# 86%

of the nation's health care costs stem from chronic disease



# Half

of all American adults suffer from one or more chronic health conditions



# 7 out of 10

U.S. deaths each year are caused by a chronic disease



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## Chronic Disease Management

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### Expanding MinuteClinic Services

MinuteClinic offers a suite of services designed to help patients manage their chronic conditions, including screening and monitoring for high blood pressure, cholesterol and diabetes. Coordinated care is important for treating chronic disease, so we also help patients find primary care physicians and share visit summaries, often using EpicCare®, the most widely used electronic health record platform.

In 2015 and 2016, we began diagnosing and providing initial prescriptions for high blood pressure at nearly 200 MinuteClinic locations. In 2017, this expanded care will be available at all MinuteClinic locations nationwide. We are also exploring the option of providing diagnosis and initial treatment for other chronic diseases, including diabetes and high cholesterol.

### Transforming Diabetes Care

In December 2016, we introduced Transform Diabetes Care, a program to help our pharmacy benefit management clients improve their members' health outcomes while reducing costs. The program offers members personalized support and comprehensive diabetes visits at MinuteClinic at no out-of-pocket cost to the member, along with access to digital tools and remote glucometer monitoring.

For example, a patient who has just been diagnosed with Type 2 diabetes whose employer has signed up with Transform Diabetes Care receives personalized coaching from a CVS pharmacist on his condition and on how to adhere to his new medication. He also receives a Bluetooth-connected glucometer, from participating vendors, that he can use at home.

A CVS Health support team will monitor the glucometer data and call to offer help if they observe a problem. They can also set up his CVS Pharmacy mobile app to remind him about prescription refills and pickup. When he picks up his prescription, he stops by the MinuteClinic to check his blood glucose, blood pressure and cholesterol at no out-of-pocket cost.

The Transform Diabetes Care program is intended to be the first in a new suite of Transform Care programs aimed at chronic conditions.

### Home Infusion: A Better Way

Acquired by CVS Health in 2014, Coram® serves tens of thousands of Americans who are managing acute and chronic conditions requiring intravenous therapy or tube feeding. Historically, these services were only available in an in-patient, hospital setting. Coram provides them at outpatient clinics and patients' homes.

A systematic review of peer-reviewed studies by the CVS Health Research Institute found that home infusions resulted in 50% fewer adverse events and up to \$3,000 in savings per course of treatment when compared to infusions in hospitals or other medical settings. Home infusion patients had better clinical outcomes, reported better physical and mental well-being, and experienced less disruption in their family and personal responsibilities.

The study, published in *Healthcare: The Journal of Delivery Science and Innovation* in April 2016, adds to evidence that home infusion is cost-effective, clinically effective and overwhelmingly preferred by patients when intravenous therapy is required.

### Supporting Patients With Chronic Diseases: Pharmacy Advisor and Specialty Connect

CVS Health continues to help patients manage their chronic disease through counseling by our pharmacists and other professionals as well as specific programs for specialty medicines. For example, through Pharmacy Advisor®, pharmacists use technology to identify patients at risk of not taking their medications as directed. These patients receive a phone call or in-person counseling from a pharmacist about how to better control their condition.

From its inception, the Pharmacy Advisor program has delivered more than 23 million live interventions through its call center or retail locations. The program has shown a nearly 10% increase in optimal medication adherence for enrolled members with diabetes.

Specialty medicines for complex conditions, such as rheumatoid arthritis and multiple sclerosis, often require special handling and storage. Patients may face roadblocks to filling a prescription, leading them to delay or abandon treatment. Our Specialty Connect® program allows patients to have specialty medications delivered to any CVS Pharmacy, their home or any location of their choice. A 2016 [study](#) found that patients using Specialty Connect were 17.5 percent more likely to refill their first prescription.

### Healthier Product Offerings

Healthier eating is key to the prevention and management of many chronic diseases. With more than 7,900 CVS Pharmacy locations providing front-store grocery and snack options, we are in a position to influence Americans' dietary habits when they are looking for convenient and on-the-go options.

In 2016, we continued to expand our Gold Emblem Abound® product line, which is free from artificial flavors, preservatives and artificial trans fats. In addition, each Gold Emblem Abound product has at least one better-for-you characteristic that is called out on the package. Introduced in 2014 with more than 40 choices, the Gold Emblem Abound line was expanded to more than 100 items in 2015 and to more than 140 items in 2016.

In June, we announced the expansion of our assortment of healthier foods and beverages to more than 2,900 stores nationwide by the end of 2016. Throughout the year, 100 stores were enhanced each week with a curated selection of better-for-you brands. The more than 250 healthy foods and beverages include Gold Emblem Abound as well as national brands such as Amy's Kitchen and Annie's Homegrown.

An additional 360 stores received new store layouts that make better-for-you selections more prominent and easier to find. These stores contain a broader assortment of better-for-you foods in an expanded refrigerated section and more prominent displays of healthy food and grab-and-go-snacks. In all, more than 800 stores now feature this layout.

We also took other measures to support healthy eating in our stores:

- Beginning in summer 2016, roughly 25% of front checkout space, traditionally occupied by candy, became dedicated to better-for-you snacks such as Lärabar and Vega One bars to help shoppers choose a healthier bite to tide them over while running errands.

- A total of 2,300 CVS Pharmacy store locations had displays of products supporting dietary trends, including Paleo, raw and vegan. These “Trend Zone” displays, which rotated throughout the year, complement our Fit Choices shelf tagging program that makes it easier to find healthier items in-store.

We estimate that about 40% of our edibles sales in 2016 were generated by healthy items, an increase from the previous year.

### First mover on artificial trans fats

We are the first national retail pharmacy chain to remove artificial trans fats from our store brand food products. Starting in 2017, all store brand snack and grocery items — more than 600 products — shipped to our distribution centers were free from artificial trans fats. The move came a year and a half ahead of the U.S. Food and Drug Administration's deadline of June 2018 for processed foods to be reformulated without artificial trans fats, and it underscores our commitment to our customers' health.

“We applaud CVS Pharmacy for working proactively to remove artificial trans fats from its store brand products well in advance of the federal deadline,” said Dr. Eduardo Sanchez, Chief Medical Officer for Prevention at the American Heart Association. “The early removal of artificial trans fats in all CVS Pharmacy store brand products will help to improve overall heart health and prevent heart disease for many Americans.”

## Healthier Product Offerings

Healthier eating is key to the prevention and management of many chronic diseases. With more than 7,900 CVS Pharmacy locations providing front-store grocery and snack options, we are in a position to influence Americans' dietary habits when they are looking for convenient and on-the-go options.



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## Improving Colleague Health

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Our journey toward helping people on their path to better health starts with our own people — our colleagues and their families. Improving the health of our workforce is a natural fit with our purpose and values. It improves colleague productivity and engagement and it helps control the medical costs of our colleagues and our company.

In 2016, we established a new performance target aimed at increasing the number of colleagues who utilize our health and wellness benefits and resources. We also debuted a new program and platform that helps colleagues engage with health and wellness initiatives anytime they choose.

### Colleague Health Coverage and Incentives

Our benefits packages for various types of employees are described in the table on the following page. In 2016, our Health Savings Plan options remained essentially the same for the third straight year, including deductibles and other out-of-pocket costs. In June 2016, we added coverage in two areas: Applied Behavioral Analysis therapy for children with autism, and telehealth visits.

We also piloted the use of Accountable Care Organizations (ACOs) for our colleagues in Irving, TX and Scottsdale, AZ. Colleagues who enroll in this option have access to a more coordinated care model with a specialized health system in the area. The ACOs are especially valuable for colleagues and their family members with high risk or chronic conditions. We are assessing impact on care quality and improved member health during the 2017 plan year to determine if we should consider expansion of this pilot into other markets.



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# Employee Health Benefits, by Employee Type

All Colleagues

- MinuteClinic wellness/preventive services free of charge
- Access to wellness challenges through HealthConnect

More than 30 hours per week

- Comprehensive medical and prescription coverage through a Health Savings Plan
- A Health Savings Account with annual company contribution and the ability to contribute tax-free to cover out-of-pocket health expenses
- Free MinuteClinic wellness/preventive services and MinuteClinic sick visits at a reduced price
- Vision and dental coverage
- Supplemental medical options
- Flexible spending account for health and dependent care

Fewer than 30 hours per week

- Suite of voluntary benefits including critical illness coverage, dental coverage, vision coverage and group legal
- Advocacy support to find medical coverage on the public exchanges

## Increasing the Use of Health Savings Accounts

The comprehensive health benefits plan that we offer our colleagues is a High Deductible Health Plan (HDHP) coupled with a company contribution to their Health Savings Account (HSA). We believe this type of plan encourages personal accountability and better health care consumerism.

Our HSA contribution varies by salary level; colleagues with lower salaries receive higher company contributions. On average, we contribute \$1,100 annually per enrolled colleague.

Colleagues can also contribute to their own HSA. An HSA enables colleagues to save pre-tax dollars in an interest-bearing bank account and use the funds to pay their out-of-pocket health care expenses. We believe that personal HSA contributions are an important way to ensure affordable health care for all colleagues, so we have established a new performance target this year:

- Increase the proportion of enrolled colleagues who are investing in their Health Savings Accounts and their average HSA account balance by 5% by 2022

We will work to achieve this through increased communication with colleagues about the value of HSAs and how they can help lower health care costs.

## Measuring Health Outcomes

We track the health status of our workforce with the Organizational Health Score, which is composed of aggregate data from our colleagues' health assessments. In the 2015–2016 plan year, our score remained slightly better than the study's benchmark. We use information from the Organizational Health Score to inform new program development and identify areas to increase colleague engagement in health.

### Developing Personalized Care

In 2016, we introduced STRIVE, a new platform devoted to our colleagues' total well-being, including their physical, financial and emotional health as well as their professional success. STRIVE encompasses all of our well-being programs and support tools and features will continue being rolled out through 2017 and 2018.

A key feature of STRIVE is our new mobile app HealthConnect, a digital hub through which colleagues enrolled in our health plan can connect to well-being resources and set and achieve goals. This mobile-first solution helps colleagues manage group fitness challenges, monitor their own physical activities, access digital coaching and more. It also allows users to sync a fitness tracking device, such as a FitBit®. Colleagues who record healthy behaviors are eligible to win wellness-related prizes.

HealthConnect will also deliver a personalized experience by tailoring recommendations to the user's needs, interests and even claims data. For example, HealthConnect could advise a colleague of upcoming recommended screenings as well as programs and events. HealthConnect features will continue to be rolled out through 2017 and 2018.

Another feature is Castlight, an online service which helps colleagues find physicians and get details on cost and quality of care. Enrollment in Castlight more than doubled in 2016 to about 75,000 colleagues and spouses.

Other highlights of our health and wellness programming in 2016 included:

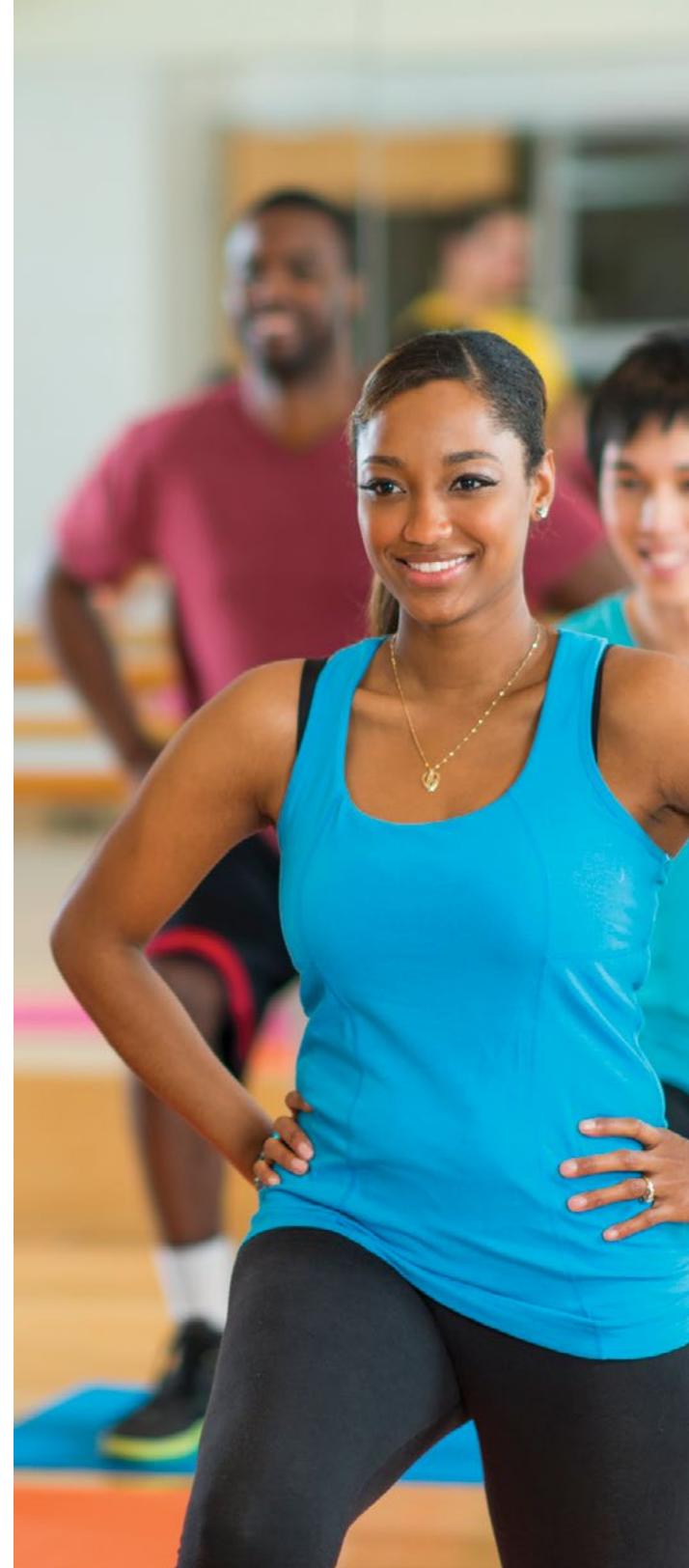
- Our "Fit For the Feast" steps-based team fitness challenge enrolled nearly 11,000 colleagues, and about 7,500 completed the challenge.
- We implemented the Real Appeal program offered by UnitedHealthcare. The program allows CVS Health colleagues and their spouses to participate in a weight loss program featuring a kit mailed to the home and virtual coaching. Colleagues enrolled with UnitedHealthcare were also given access to a new infertility case management program.
- We implemented a four-week stress and resiliency program based on health risk assessment data suggesting that stress is a significant issue among our colleagues. Colleagues were given tools and encouragement in areas including relaxation, sleep, meditation and stretching.

CVS Health continues to offer incentives to colleagues and their spouses who undergo an annual free health screening and complete an online health assessment. We also offer an annual incentive of \$50 deposited into a colleague's Health Savings Account for pledging to remain tobacco-free. This incentive is also available to covered spouses.

### Encouraging Colleagues to Leverage Resources

When our colleagues make use of the health, wellness and financial education resources that we offer, it's good for our colleagues and our company.

We intend to continue making it easier for colleagues to access our services and platforms, to further customize our programs to the needs of our colleagues, and to improve awareness of the programs and their benefits.





## Patient and Customer Well-Being and Safety

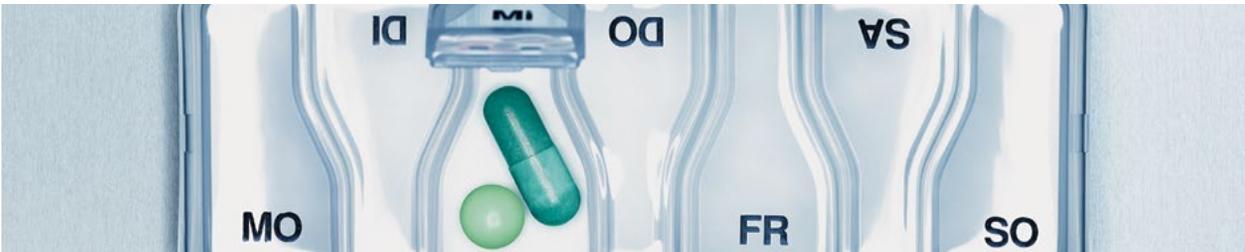
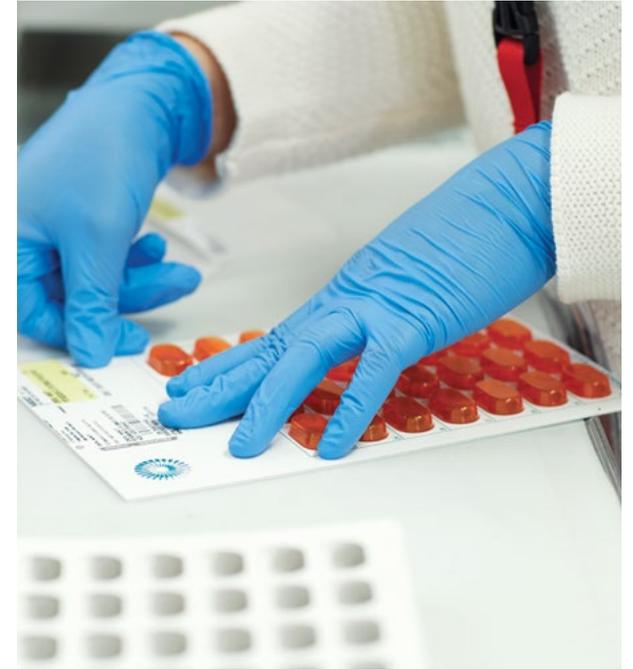
Ensuring patient and customer well-being and safety is critical to helping people on their path to better health. In March 2016, we formed the Patient Safety and Clinical Quality Committee of our Board of Directors to assist the Board in its oversight of our policies and procedures relating to the delivery of quality pharmacy and medical care to our customers and patients including clinical quality, patient safety and experience, the management of health care claims, and regulatory review by boards of pharmacy and nursing.

Our programs in this area aim to improve adherence to prescribed medicines, improve the coordination of patient care and ensure the safe and accurate dispensing of medications. We are also investing in addressing the epidemic of prescription opioid abuse and dependence and creating a tobacco-free generation.

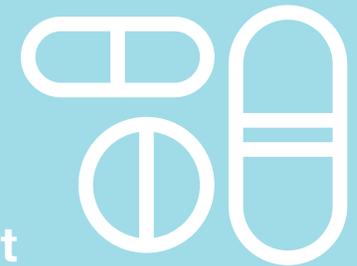


**2,100**

youth and young adults become daily cigarette smokers



**About 1/2 of patients with chronic conditions stop taking their medications in their first year**



Almost  
**2M**

people abused or were dependent on prescription opioids in 2014

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## Better Health Outcomes

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The U.S. is a center for health care innovation. But even the best treatments won't be effective if patients don't take medications, if all aspects of care are not coordinated, or if medications aren't dispensed safely. CVS Health is committed to delivering on the promise of advanced health care through improving medication adherence, coordinating care and ensuring safety and service quality.

### Improving Medication Adherence

For millions of Americans living with chronic health conditions, taking their medication as prescribed is vital to preventing adverse health events. Yet an estimated one-third of prescriptions are never filled, and half of patients with chronic conditions stop taking their prescribed medication within the first year.

Patients leaving the hospital must often deal with complex and changing care regimens, which can lead to higher rates of non-adherence. And non-adherence can result in costly and unnecessary trips back to the hospital. In fact, about two-thirds of hospital readmissions can be traced to non-adherence.

Our initiatives focus on the root causes of non-adherence. A July 2016 study from the CVS Health Research Institute found that medical reconciliation programs — in which pharmacists review and streamline medication regimens and provide counseling to patients — reduce the risk of hospital readmission at 30 days by 50%. The study was published in *Health Affairs*.

We have also developed a range of tools that make it easier for patients to maintain their drug regimens. One example is ScriptSync, which prepares patients' eligible prescription medications so they're ready for pickup on the same day each month. ScriptSync has enrolled more than one million patients since its August 2015 debut.

In September 2016, a preliminary study found that ScriptSync improved medication adherence by between five and ten percent. The findings align with previously published research by the CVS Health Research Institute about the effects of aligning medication refills. Also in 2016, ScriptSync was expanded to CVS Caremark Mail Service Pharmacy, so plan members can align their refills and have all maintenance medications delivered together by mail.

Other tools and services allow for automatic refills, ordering of 90-day supplies of medicine through mail service or pick-up, and text alert reminders when it is time to refill or pick up a prescription. Mail service customers can refill their prescriptions without registering or signing in by simply scanning codes on their prescription.

Users of the CVS Caremark app can now easily scan and upload their insurance information or written prescription, check for drug interactions with foods or medications, or identify unknown pills. Users of the CVS Pharmacy app can develop customized reminders to take their prescriptions and notify caregivers when a dose is missed.

Preliminary research from the CVS Health Research Institute suggests that pharmacy customers enrolled in digital and online programs are more likely to take their medications as prescribed. For example, among CVS Caremark members with common

chronic conditions, 10% more members improved their medication adherence to optimal levels after enrolling at Caremark.com, compared to members who did not enroll.

### Coordination of Care

Collaboration among medical providers is essential to ensuring the best outcomes for patients. In 2015, we completed implementation of EpicCare, the country's most widely used electronic health record for sharing information between entities. Our MinuteClinic providers use EpicCare, to document visits for a patient's primary care physician and put each clinic visit within the context of the patient's medical history, allowing for more holistic care at each visit.

We have also formed clinical affiliations with nearly 70 major health systems across the U.S. Through these affiliations, we can securely share prescription and visit information via EpicCare. These affiliations also lay the groundwork for participation in joint clinical programs, accountable care organizations, patient-centered medical homes and other integrated networks of care. All told, we connect and share data with more than 900 hospitals, 1,100 physicians' offices and 23,000 providers.

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## Outbreak Response Initiative

Outbreaks of contagious disease can leave area providers short-handed for vaccines. Launched in 2016, our Outbreak Response Initiative is a collaboration between MinuteClinic and CVS Pharmacy.

When a local outbreak is discovered, our Director of Quality reaches out to the local health authority to ask how CVS Pharmacy can help. CVS Pharmacy expedites vaccines to nearby MinuteClinic locations and increases staffing, and the local health authority may direct residents to the MinuteClinic for vaccination.

In 2016, we responded to outbreaks of measles, mumps and meningitis in communities and on college campuses.





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## Tobacco-Free Lives

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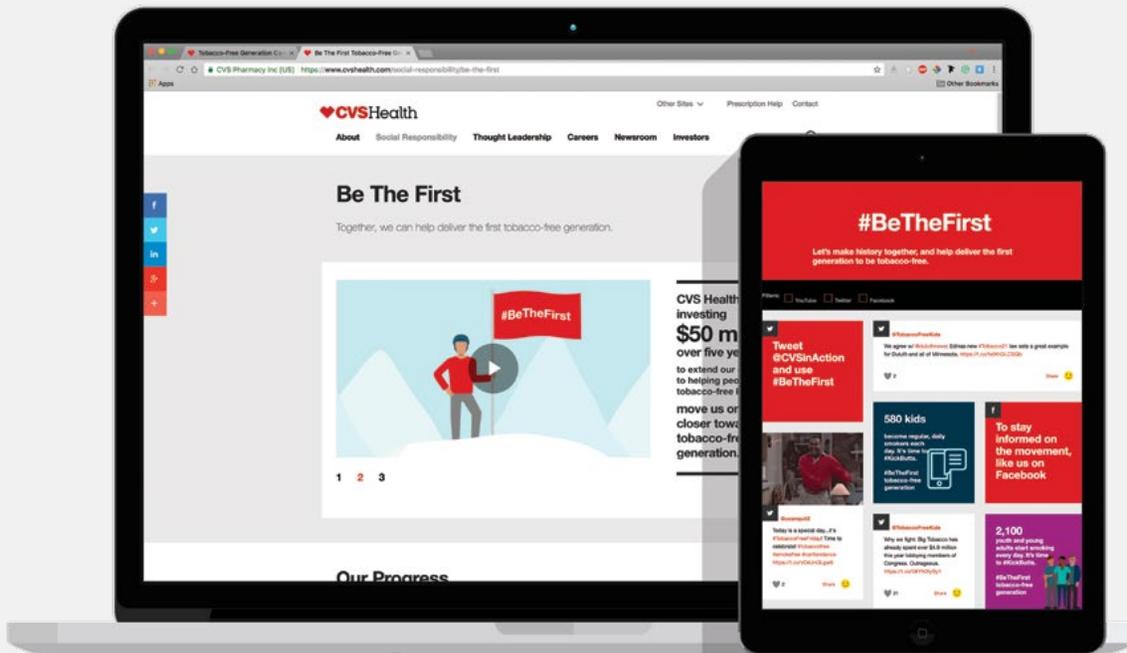
It has been more than two years since we became the first national pharmacy chain to remove tobacco products from our retail shelves, and we are still the only national pharmacy chain to have taken this bold step. For a company devoted to helping people on their path to better health, it was just the beginning.

Tobacco use remains the leading cause of preventable death and disease in the U.S., responsible for more than 480,000 deaths each year. Our providers offer counseling to hundreds of thousands of smokers who wish to quit, and we are investing millions of philanthropic dollars each year in community-based smoking cessation and youth tobacco prevention programming.

### Investing in a Tobacco-Free Generation

About 90% of smokers started smoking before they reached college age; virtually all the rest started by age 26. That's why we believe it is vital to educate youth so they never use tobacco products in the first place. While youth cigarette smoking has fallen to historic lows, use of smokeless tobacco among young people has been holding steady. Meanwhile, a rising number of youths are smoking electronic cigarettes, which have uncertain health effects and may serve as a gateway to tobacco products.

In March of 2016, we announced Be The First, a five-year, \$50 million initiative to help deliver the nation's first tobacco-free generation. Be The First focuses on education, advocacy, tobacco control and healthy behavior programming in partnership with organizations positioned to address this challenge.



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**“CVS Health’s decision to end tobacco sales has had a substantial and measurable impact on improving our nation’s health,” said Matthew L. Myers, president of the Campaign for Tobacco-Free Kids. “These newly published results make it increasingly untenable for responsible retailers – especially those that provide health care services – to continue selling tobacco products.”**

Be The First is guided by a national advisory group made up of the country’s leading tobacco-control and youth marketing experts. It has set in motion a series of strategies, partnerships and programs that are contributing to the nation’s tobacco control efforts.

For example, in March 2016 we announced a second round of grants under our \$5 million, five-year commitment to the Campaign for Tobacco-Free Kids. This round of grantees is educating at-risk youth on the dangers of e-cigarettes; integrating tobacco prevention into existing mentoring programs; and developing an online training portal for youth anti-smoking advocates.

In November 2016, we awarded grants to 20 U.S. colleges and universities as part of the Tobacco-Free Generation Campus Initiative (TFGCI), a \$3.6 million multi-year program intended to expand the adoption of 100% smoke- and tobacco-free campus policies. Over the next three years, TFGCI will award grants to 125 schools in the U.S. The grants will help schools develop and implement a tobacco-free plan, produce educational and collateral materials, and offer cessation help for students and faculty.

Other examples of our Be The First efforts include:

- We teamed up with Scholastic Corporation to develop a school-based tobacco-prevention education program that reached nearly three million youths in grades three through seven in the 2015–2016 school year.

- In January 2016, we sponsored a campaign by DoSomething.org that led to more than 4,000 youths sending handmade postcards to friends and relatives urging them to quit for the New Year. More than 33,000 members participated.
- In early 2017, we announced a two-year, \$1.5 million partnership with the Truth Initiative to help community colleges and historically black colleges and universities go tobacco-free.

#### Partnering to Combat Tobacco Use

We continue to partner with organizations that are leading the fight against tobacco use and its consequences. For example, in July 2016 we announced a \$110,000 grant to the American Academy of Pediatrics to improve counseling by pediatric health care providers around secondhand smoke.

We also use in-store fundraising campaigns to support organizations that are helping people lead tobacco-free lives:

- In May 2016, CVS Pharmacy raised more than \$6 million through its third annual in-store fundraising campaign for LUNG FORCE, an American Lung Association initiative to support lung cancer research.
- In September 2016, we held our third annual in-store campaign to benefit Stand Up to Cancer, which supports innovative cancer research. Over the last three years, we have raised more than \$15 million to support these efforts.

#### Reducing Cigarette Purchases Nationwide

Did our decision to stop selling tobacco actually reduce smoking, or did smokers simply purchase their cigarettes elsewhere? The CVS Health Research Institute sought to find out with a study comparing cigarette purchases among households before and after we removed tobacco from our shelves in the fall of 2014. Among the findings:

- Those who purchased cigarettes exclusively at CVS Pharmacy were 38% more likely to stop buying cigarettes than a control group.
- Those who purchased three or more packs a month were more than twice as likely to stop buying cigarettes altogether.
- In states with a significant CVS Pharmacy presence, smokers bought an average of 0.14 fewer packs per month.

The research was published in February 2017 in the *American Journal of Public Health*. We believe that it confirms and expands upon initial impact data demonstrating the role a private retailer can have in restricting access to tobacco and improving public health.



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**\$5M**  
**five-year**  
commitment to  
the Campaign for  
Tobacco-Free Kids



Fighting Tobacco on  
College Campuses

**Smart campuses**

**Quit**

## Fighting Tobacco on College Campuses

Colleges and universities are big players in the fight against youth tobacco use. Not just because most smokers start at a young age; college is often the first time many youths live away from home and without parental supervision. A growing number of college and university campuses have adopted smoke- or tobacco-free policies in the last few years, including Saint Xavier University, a Catholic university in Chicago and one of 20 schools in 2016 to receive a grant from the CVS Health Foundation. The grants are given in coordination with the American Cancer Society as part of the Tobacco-Free Generation Campus Initiative.

Kathleen Rohan, director of Saint Xavier's University Health Center, is a former smoker, so she understands the impact of tobacco on health as well as the challenges of quitting. "Any exposure to second-hand smoke is unsafe, so eliminating all exposure gives our campus community an immediate health benefit," Rohan says. "A tobacco-free campus discourages the initiation and use of tobacco products in young adults and creates a supportive environment for those wanting to quit. It reduces litter, improves fire safety, and creates a more welcoming environment for prospective students."

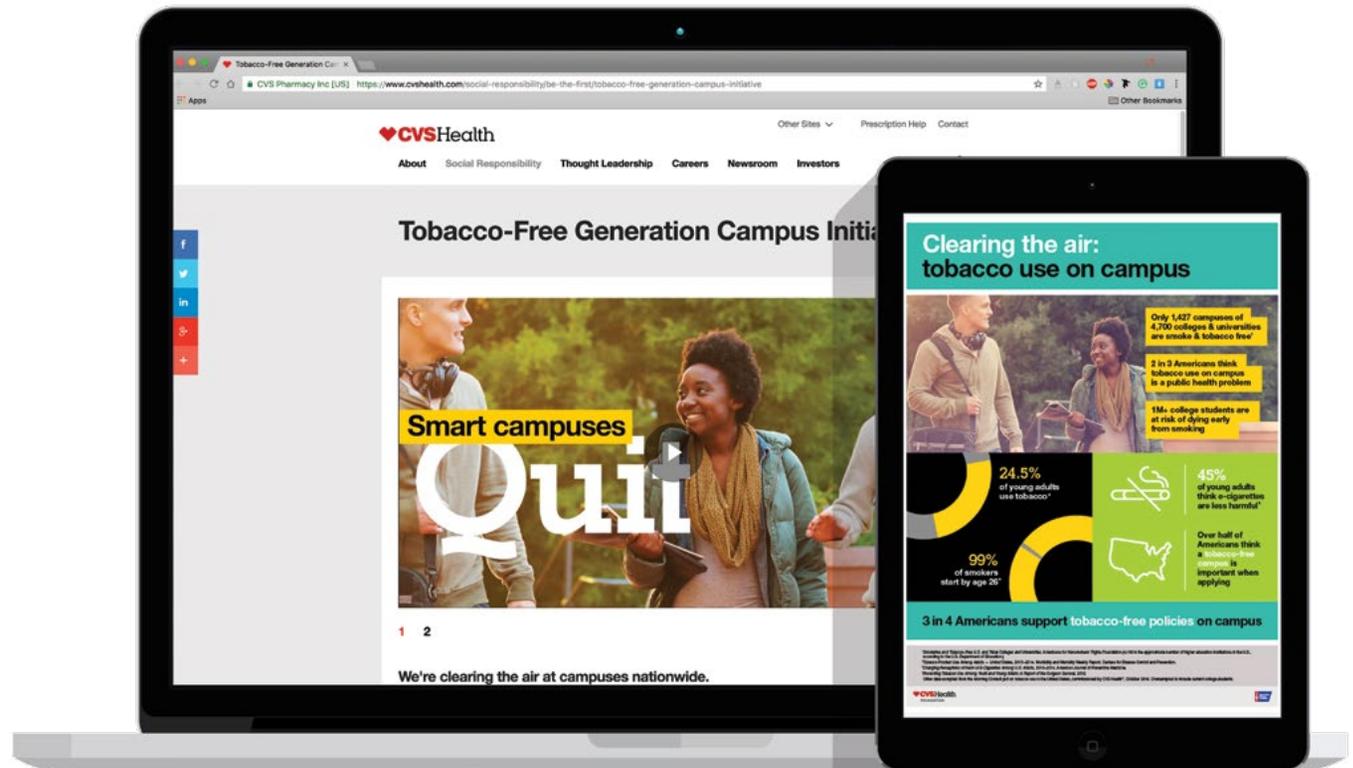
The Saint Xavier community spent three years preparing to go tobacco-free. A multi-stakeholder committee tasked with evaluating the original student proposal recommended going tobacco-free — not merely smoke-free — out of concern for the dangers of all tobacco use. The distinction between the two means the campus also bans the use of e-cigarettes and other smokeless tobacco products.

But the drive to adopt the policy "stalled for some time because the committee had not done enough to educate the decision makers on the benefits,"

Rohan says. The grant funding and accompanying technical support were key to pushing the policy through, she says.

"Having the support of the CVS Health Foundation was critical because it provided resources for us to educate our community. Funding for interns was key because it created a peer-based outreach effort. We were also able to purchase hands-on educational displays for engagement. Marketing materials and events created a positive environment and a well-informed community more open to policy acceptance."

The university expanded its tobacco-cessation options for students and employees, hosted weekly teaching events, and ran a social media campaign on the dangers of tobacco prior to going tobacco-free in January 2017. Saint Xavier is now one of the more than 1,500 colleges and universities that have gone tobacco-free, according to the American Nonsmokers Rights Foundation. An even larger number of schools, more than 1,800, have gone smoke-free.



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## Maintain Focus on Safety and Quality

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As one of the country's largest health care providers, we are committed to the application of best-in-class processes and technologies to help ensure the accurate and safe provision of services to our pharmacy and MinuteClinic patients.

### Commitment to Continuous Quality Improvement

Each day our pharmacists and nurse practitioners work with great care and diligence to provide the highest quality of care to our patients. Across all of our patient care channels, CVS Health's team of health care professionals share a common passion for ensuring patient safety through their commitment to continuous quality improvement. Our internal Patient Safety Organization works to foster and facilitate collaboration between all of our business units on patient safety initiatives. This cross-enterprise approach enables the sharing of key insights and innovations between our businesses, enriching the development and implementation of quality and safety improvements within each business unit.

### New Accreditations

We look to independent industry experts to evaluate our success in ensuring quality and safety. In 2014, we became the first pharmacy to receive Community Pharmacy accreditation from URAC, the leading U.S. accreditation organization for quality standards. In 2016 we earned other URAC accreditations:

- Mail Service Pharmacy accreditation to CVS Caremark
- Health Care Center, Pharmacy Management and Drug Therapy Management accreditation to CVS Caremark
- Specialty Pharmacy accreditation to CVS Specialty



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## Combating Prescription Drug Abuse

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The U.S. faces an epidemic of prescription drug abuse. Deaths from prescription opioids have more than quadrupled since 1999, according to the Centers for Disease Control and Prevention.

Each day, our pharmacists are busy helping people on their path to better health, and that includes dispensing prescription medications that help patients fight pain, sleep more soundly, and overcome anxiety. But when these drugs are abused, there can be unintended consequences. Our commitment to patient safety includes educating our patients on how to take these medications appropriately and working in our communities to help prevent prescription drug abuse and misuse.

There is no one solution to this epidemic. We use multiple strategies to address the issue, including combating prescription fraud through analytics, expanding access to safe overdose treatments, educating youth and families about the dangers of abuse, and working to ensure the proper use and disposal of medications.

### Fighting Prescription Fraud

Techniques for forging prescriptions have become more sophisticated and increasingly difficult for our pharmacists to identify. In 2016 we rolled out an advanced analytics platform leveraging CVS Health's dispensing data to help detect suspected forged prescriptions. The platform reviews prescription data to detect prescribing anomalies associated with prescription forgeries, and then alerts the pharmacist

to contact the prescriber to validate the authenticity of the prescription.

This system complements our ongoing efforts to prevent drug diversion by identifying, investigating and stopping the filling of controlled substance prescriptions at our stores written by prescribers who exhibit questionable patterns of prescribing for high-risk drugs.

In most states, every medication dispenser must report the dispensing of controlled substances to that state's Prescription Drug Monitoring Program (PDMP). A PDMP is utilized by pharmacists, prescribers, law enforcement, prosecutors and others to prevent fraud and diversion. We require all of our pharmacists to be registered users of their state's PDMP.

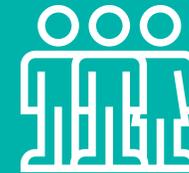
### Facilitating Overdose Treatment

Naloxone, also known as Narcan<sup>®</sup>, is a safe and effective antidote to an opioid overdose. We helped advocate for states to allow pharmacists to dispense naloxone pursuant to a physician's standing order to patients who do not have a prescription, and by the end of 2016, 37 states allowed it. We will continue to participate in these programs as more states adopt enabling laws and regulations. We also participate in a number of pilot programs to increase naloxone awareness and visibility.



40

40 Americans die each day from prescription opioid overdoses



In 2014, nearly

2M

Americans abused or were dependent on prescription opioids



Nearly

1/2

of youths who inject heroin started out by abusing prescription drugs

## DoSomething.org Explain the Pain Text

In the fall of 2016, the CVS Health Foundation supported a campaign through DoSomething.org, called Explain the Pain Text, that asked young people to share an SMS text message resource with friends to educate them on ways to keep friends safe from prescription pain medication abuse and misuse.



### Education and Awareness about Drug Abuse

Preventing prescription drug abuse requires education of patients, families and communities. In 2016 we launched the [Safer Communities](#) website for patients and families with questions about prescription drug abuse. The site centers around three key measures for controlling prescription drug abuse: taking medications as prescribed, keeping them safe and secure in the home, and disposing of them properly.

Our Pharmacists Teach® program brings local pharmacists to high school health classes to talk about a variety of health topics. In the fall of 2015 we launched a new curriculum for students in grades 7-12 focusing on the choices students make and the dangers of prescription drug abuse. Our pharmacists volunteer their time to go to schools and offer their unique perspective to dispel the widely held belief in this age group that prescription drugs are safer to abuse than street drugs. Students learn the facts and hear stories of other teens whose lives were forever changed by their choice to misuse or abuse prescription drugs. By the end of 2016, pharmacists had given more than 4,200 of the 30-minute presentations, entitled “One Choice Changes Everything™,” reaching more than 170,000 students.

In 2017, we are expanding Pharmacists Teach to reach parents as well and we have developed a new target:

- Increase pharmacist community outreach to educate youth and families by reaching 750,000 individuals by 2020.

In the fall of 2016, the CVS Health Foundation supported a campaign through DoSomething.org, called Explain the Pain Text, that asked young people to share an SMS text message resource with friends

to educate them on ways to keep friends safe from prescription pain medication abuse and misuse. Participants received a short, 10-minute SMS experience with tips on how to help someone suffering from addiction and ways to keep their community safe. More than 69,000 people participated through the DoSomething.org platform, which is dedicated to empowering young people on social issues.

### Ensuring Proper Disposal

Excess or expired medication must be disposed of properly. Medications that are flushed can impact local streams and lakes. Unsecured medication that remains in medicine cabinets may get into the wrong hands: more than four in 10 teens who have misused or abused a prescription drug obtained it from their parents’ medicine cabinet.

In collaboration with the Partnership for Drug-Free Kids, CVS Health created the Medication Disposal for Safer Communities Program, through which local police departments can apply to receive a drug collection unit. This program strengthens an existing network to approximately 3,500 collection sites across the country. To date, we have donated more than 762 units in 43 states and have collected more than 81.6 metric tons of unwanted medication. We also continue to support National Drug Take-Back Day by hosting law enforcement drug collection events in our parking lots.

Also in 2016, we launched a public-private partnership with the City of Milwaukee that helps patients dispose of medicines from their homes. In this two-year pilot program, residents can place medicines in return envelopes distributed at 10 CVS Pharmacy locations and select public locations. If successful, we will explore expanding the program to other municipalities.

Pharmacist Uses Her Own  
Painful Experience to

# Help Others



Monica Vera-Schubert, CVS pharmacist  
with her son, Bobby.

## Pharmacists Teach

In just over a year, pharmacist Monica Vera-Schubert and her team have given 64 presentations to nearly 4,000 students at schools in Southern California on the dangers of prescription drug abuse as part of CVS Pharmacy's Pharmacists Teach program.

In each presentation, Vera-Schubert plays a video that tells four real-life stories of teen prescription drug abuse. She teaches students how to recognize the signs of abuse among their peers and provides guidance on how to find responsible help.

To the students who believe that prescription drug abuse could never affect them, Vera-Schubert has a powerful message: It can happen to anyone, because it happened to her — and she's a pharmacist.



**“Doing these presentations feeds my energy, it feeds my soul.”**



Monica Vera-Schubert, CVS pharmacist, presenting One Choice Changes Everything



Monica Vera-Schubert, CVS pharmacist, presenting One Choice Changes Everything

One choice can  
change everything

Vera-Schubert's son Bobby was 15 when he was prescribed Vicodin after a wisdom tooth extraction. "The exposure was innocent, but the life in store for him was not," says Vera-Schubert, a CVS Pharmacy manager in North Hollywood.

Soon Bobby was acting out, performing poorly at school and losing friends. The Vicodin abuse yielded to other prescription drugs and eventually heroin. Bobby was selling his possessions to buy drugs, getting in trouble with the law, having seizures and overdosing. "It was like a vicious tornado within our home's walls," Vera-Schubert says. "I wouldn't want that life for anyone or their family."

Though it might seem distressing for Vera-Schubert to have to relive this experience over and over in front of strangers, she feels the opposite. "Doing these presentations feeds my energy, it feeds my soul," she says.

After the presentations, clearly emotional students shared their own stories of family members' struggles with drugs. The stories are similar in all different kinds of neighborhoods, Vera-Schubert says, whether urban or suburban, affluent or underserved.

Since uncovering Bobby's addiction, Vera-Schubert has helped him through rehabilitation programs and

supported his efforts to get sober. But his struggle — and his family's — is still not over. At one point, Bobby told his mom that he wished he'd seen her presentation when he was in high school. It would have made him think twice before experimenting with opiates, he said.

"I'm trying to bring awareness to the schools, the students, the parents and teachers, because I feel that awareness is a form of prevention," Vera-Schubert says. "I've been given such a great platform to help people understand what abusing prescription medication can do, and help them make the right choices."



# Planet in Balance

**The health of our planet is inextricably linked to the health of all people.** We are committed to understanding the connection between our environmental impact and the health of our customers and communities. When it comes to air pollution, water pollution, deforestation and climate change, we are working to reduce those impacts.

At CVS Health, our expanding environmental footprint includes thousands of retail pharmacies and a growing supply chain. We're committed to assessing and reducing the direct and indirect environmental impacts of that footprint. That means following through on our Environmental Commitment and Climate Change Policy Statements and delivering on enterprise programs that embed environmental sustainability in our business operations and product development.

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## Top Accomplishments in 2016



Upgraded 1,516 stores with LED lighting, for a total of 5,691 stores



23% reduction in carbon intensity from 2010 baseline

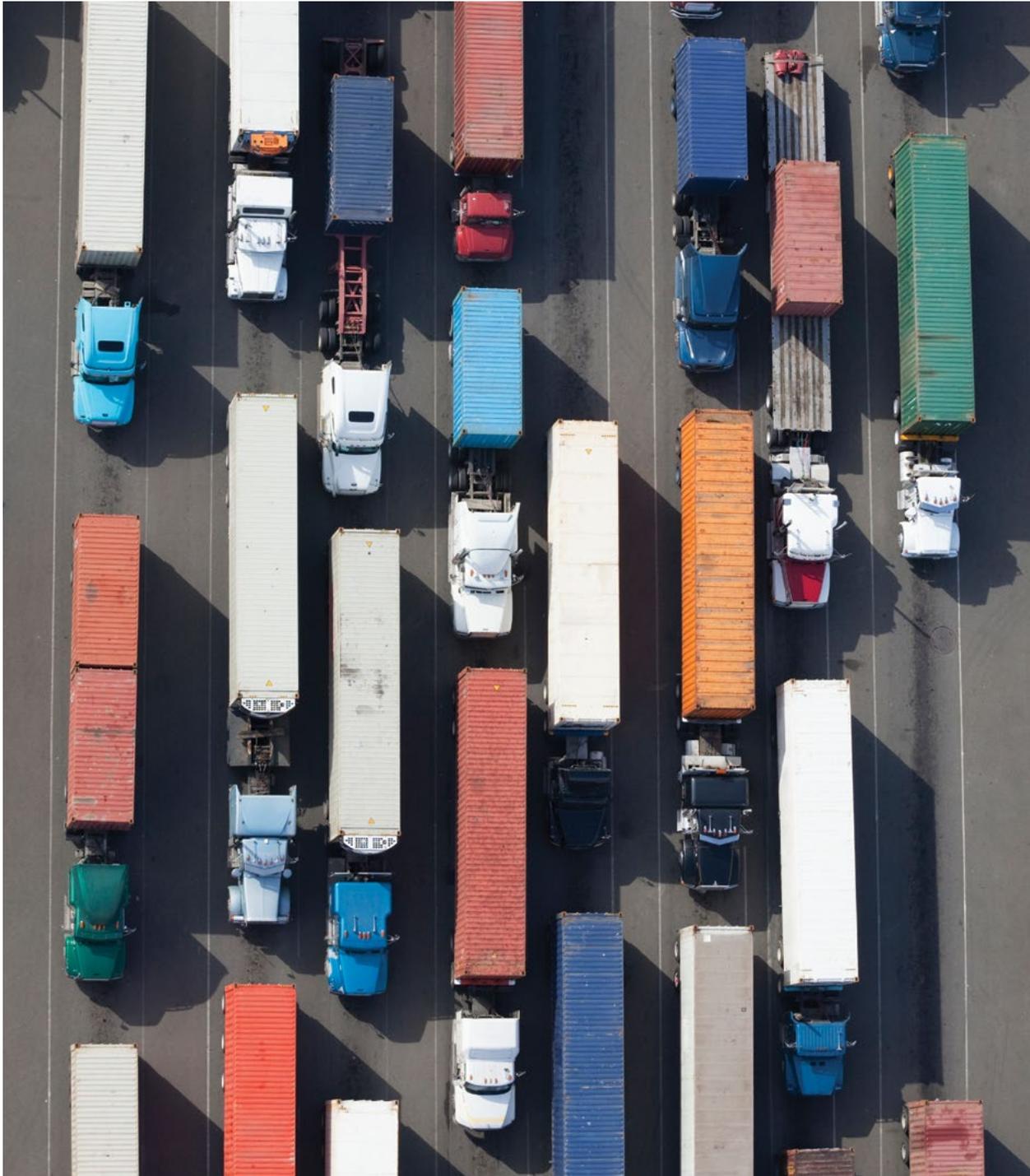


Committed to sourcing all palm oil in our products from verified, responsible sources by 2020

# Priorities and Progress

## Planet in Balance

Strategic Priorities	Goals	Highlights in 2016
Sustainable Operations	Reduce the environmental impacts resulting from our operations	<ul style="list-style-type: none"> <li>• 23% reduction in carbon intensity from 2010 baseline</li> <li>• 1.5% reduction in electricity usage from 2015</li> <li>• 12% reduction in water usage from 2015</li> </ul>
Sustainable Products and Packaging	Increase the availability of healthy and sustainable products	<ul style="list-style-type: none"> <li>• <u>Announced</u> removal of parabens, phthalates and the most prevalent formaldehyde donors across nearly 600 store brand beauty and personal care products</li> <li>• <u>Published</u> full list of restricted ingredients in store brand products</li> </ul>
	Improve the sustainability of our supply chain	<ul style="list-style-type: none"> <li>• Sourced 89% of the paper we used sustainably</li> <li>• Committed to sourcing all palm oil in our store brand products from verified, responsible sources by 2020</li> </ul>
Internal and External Engagement Around Our Sustainability	Increase opportunities for engagement with stakeholders (colleagues, customers, clients and partners) around sustainability through volunteerism, training, education and dialogue	<ul style="list-style-type: none"> <li>• Launched GreenTeam Colleague Resource Group</li> <li>• Established one new target:               <ul style="list-style-type: none"> <li>- Our colleagues will log 10,000 “green actions” on our online volunteering portal by 2020</li> </ul> </li> </ul>



## Sustainable Operations

Energy usage and greenhouse gas (GHG) emissions remain our most significant environmental impacts due to our large retail footprint and the vast distribution and transportation network that serves our stores. Water use and landfill waste comprise smaller impacts. Our goals in the area of sustainable operations focus on carbon intensity reduction, water use reduction and sustainable paper sourcing.

**45%**

of our waste stream enterprise-wide is diverted to recycling or higher uses



**2.8M**

Megawatts of electricity used in 2016

**11.1M**

gallons of fuel consumed



**Of the 200,000 total early deaths caused by air pollution in the U.S. each year ...**

**... 53K**

stem from vehicle pollution



**... 52K**

stem from power generation pollution





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## Controlling Our Major Sources of Greenhouse Gas Emissions

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CVS Health is committed to addressing our climate-related impacts through reductions in greenhouse gas emissions, as stated in our [Climate Change Policy Statement](#). In 2016, we committed to developing a science-based emissions reduction target. A science-based target will align our GHG reductions with global emissions budgets generated by climate models.

We are working to determine how to define, track and validate the target. We are currently assessing our Scope 3 emissions under the Greenhouse Gas Protocol, which comprise indirect emissions from sources we do not own or control. We will partner with our largest suppliers to expand Scope 3 data collection in 2017, ahead of disclosing our target in 2018. Currently, our intensity goal and measurements include Scope 1 and Scope 2 emissions, as well as Scope 3 emissions from business travel and our dedicated third-party distribution fleet.

Meanwhile, we continue to work to reduce our GHG emissions. In 2016, we achieved a cumulative reduction in carbon intensity of 23% per square foot of retail space when measured against a 2010 baseline. Our original goal, established in 2010, was to reduce carbon intensity by 15% per square foot of retail space. We achieved that goal in 2015, three years ahead of schedule. We attribute this achievement to a variety of factors:

- Our store efficiency initiatives, including lighting upgrades discussed later in this section.

- Our new buildings conform to the 2012 International Energy Conservation Code, which requires greater insulation and other efficiency measures that result in a 15% energy savings from previous code.
- Decreased heating demand due to warmer weather in 2016.
- A 2016 update to the EPA's electricity emissions factors accounting for the fact that energy produced to power the electrical grid is getting cleaner.

In 2016, we achieved a performance score of B from the CDP (formerly Carbon Disclosure Project), which measures efforts to mitigate climate change. We saw improvement in our score through disclosure of our energy efficiency projects and commitment to setting a science-based emission reduction target.

For more information on our GHG actions and policy, please see the [GRI Index](#). Also please see the [Index](#) for a detailed analysis of trends in our GHG emissions, energy and water use.

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**We retrofitted 1,516 stores, saving us \$6 million in energy costs last year. Altogether, we have retrofitted 5,691 stores, realizing a cumulative saving of \$23.5 million.**

#### Electricity and Natural Gas

Electricity accounts for about four-fifths of our carbon footprint. In 2016, we used 2.85 million megawatt hours of electricity to operate our retail locations. Our electricity use in 2016 was 1.5% lower than in 2015 despite an increase in overall square footage of 1.2%.

Use of natural gas in 2016 decreased by 8% in 2016. The most important factor behind the decrease was likely the warmer weather. The contiguous U.S. experienced a 5% decrease in heating degree days in 2016. A heating degree day is a measure of the overall demand for building-interior heat.

#### Lighting Retrofits

In 2016, we fast-tracked the LED interior lighting strategy that we launched in mid-2015 aimed at reducing our energy use and overall environmental impact. We retrofitted 1,516 stores, saving us \$6 million in energy costs last year. Altogether, we have retrofitted 5,691 stores, realizing a cumulative saving of \$23.5 million. We are planning another 1,200 retrofits in 2017.

Since we began the interior lighting program in 2011, we have invested more than \$115 million in our interior lighting program. Our LED strategy will also apply to all new store construction, including interiors, refrigeration

units, exteriors and signage. Currently, we are developing updated lighting standards for new store builds.

We are exploring additional LED opportunities for our store exterior lighting. We have also been retrofitting our distribution centers with interior and exterior LED as existing lighting reaches the end of its service life.

#### Energy Management System

We continue to upgrade our Energy Management System (EMS), which helps us drive energy efficiency by controlling lighting, HVAC and other systems from a central location. We retrofitted 276 additional stores with EMS systems in 2016; we now have them in about 95% of all store locations, while other stores use temperature or lighting controls designed to increase efficiency. The EMS allows us to standardize set points for lighting and temperature levels across all our locations, and then monitor for outliers where we might need to make adjustments or repairs.

#### New Heating, Ventilation and Air Conditioning (HVAC) Specifications

Building heating and cooling are significant contributors to GHG emissions. We have approved new, energy-saving construction in new stores to improve humidity control and reduce the run time of rooftop units.



The new forms of construction also take advantage of better integration with our EMS. All of these units meet the energy efficiency ratio (EER) and seasonal energy efficiency ratios (SEER) ratings recommended by the U.S. government for energy efficiency.

Additionally, we proactively replaced 200 end-of-life rooftop units in existing stores. In 2017, we plan to explore opportunities for additional replacements and enhancements to systems controls.

#### Efficiencies in Transportation

In 2016, we consumed 11.3 million gallons of fuel. Our vehicle fuel consumption figures include all deliveries as well as corporate vehicle travel, employee air travel, personal car travel and rental cars.

Our overall vehicle fuel consumption increased by 6% in 2016. This is a result of an increase in enrollment in a program that allows our employees to use their own cars for business travel in exchange for a monthly stipend, as well as the addition of Omnicare and the pharmacies and clinics in Target stores, which increased the number of our locations. The program allows us to more accurately capture employee business travel using personal vehicles.

CVS Health depends on a fleet of more than 760 company-owned and third-party tractors and 1,800 company-owned and third-party trailers to deliver products from our distribution centers to stores.

In 2016, we completed implementation of our improved fleet routing software, which allows us to track and

optimize miles driven, fuel efficiency, average cost per load and on-time service delivery. The new software is allowing us to take a more centralized approach to route planning.

When we improve routing, our trucks travel fewer miles. That translates to less fuel usage, less air pollution, fewer GHG emissions, lower maintenance cost, less potential for accidents and less traffic on the roads. By the end of 2016, we saved approximately 213,000 gallons of fuel and about \$494,000 in costs due to the improved fleet routing software.

Another energy efficiency initiative centers on the refrigeration units in our trailers. We are testing whether the temperature settings can be raised on these units to save energy. We are also increasing the number of units that can run on both plug-in electrical power and diesel power, so that stationary trailers do not need to idle to keep the units running. All new refrigeration units purchased will be dual-power, and the electrical infrastructure required to facilitate plug-ins is being evaluated at several distribution center locations.

In 2017, we will expand a pilot of our backhaul program, which aims to reduce the number of miles our trucks run empty by putting more freight in our trucks during return trips to our distribution centers. We are also evaluating plans to carry freight for other companies on the backhaul, which would increase efficiency and generate income.





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## Waste Diversion and Recycling

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In 2016, we completed several projects that took advantage of our existing store systems to improve our processes for minimizing and diverting waste. We leverage store system technology to manage waste more efficiently, and we work with our suppliers to further reduce waste streams throughout the supply chain.

Occasionally we have to remove unsold goods from our shelves that are slightly damaged, out of season, or otherwise unsalable but still usable. We work to divert these goods from landfills or incineration to higher-value purposes such as liquidation or donation. In 2016, the value of our product donations was more than \$55 million.

Every day, our store colleagues manage inventory through a handheld radio-frequency (RF) scanner. Colleagues scan the product's barcode and input information about the condition of the product, and the RF unit provides instructions for disposition. In 2016, we extended this functionality to our distribution centers, allowing us to increase the number of products that we liquidate or donate.

Our inventory management system is linked to WERCSmart, our supply chain compliance tool. WERCSmart helps ensure that we are complying with disposal requirements. It also helps us to leverage data for our waste minimization planning. For example, if we find that an item is prone to leakage, we can

quantify the issue, share the information with suppliers, and give them an opportunity to modify their packaging. We can also share the data with our merchandising team to help guide its decisions around product selection.

We continue to work to reduce material use and increase recycling opportunities throughout our operations. Overall, about 45% of our waste stream enterprise-wide is diverted to recycling or higher uses. Eighty-nine percent of the recyclable waste stream from our distribution centers was recycled in 2016. Please see the [Index](#) for updates on these efforts as well as specific data on recovery and recycling volumes.

Our waste minimization principles are also applied to large CVS Health-sponsored events. Composting and recycling receptacles resulted in a diversion rate of more than 45% at the CVS Health Charity Classic golf tournament. Zero waste was sent to landfill from the CVS Health Downtown 5k in September 2016 thanks to a combination of composting, recycling and waste-to-energy technologies.

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**Composting and recycling receptacles resulted in a diversion rate of more than 45% at the CVS Health Charity Classic golf tournament.**



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## LED lighting is being installed throughout the interior and exterior of all new builds.

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### Sustainable Facilities

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Sustainable facilities have smaller environmental impacts on the communities we serve and on the planet as a whole. In 2016, we introduced fully revamped prototypes for new store construction, informed by the successes of our Leadership in Energy and Environmental Design-certified stores (LEED). We also continued to implement green practices for all new construction, such as LED interior and exterior lighting and irrigation solutions.

#### New Building Prototypes

In 2014, we introduced smaller-sized stores of 6,000 or 9,000 square feet. These stores, with their smaller front-of-store retail offerings and stronger focus on the pharmacy, are more appropriate for our business needs in some communities. They are less expensive to build, require less land and use fewer materials and resources than our 12,900 square foot freestanding prototype. They also use 25% less electricity, on average, than the larger prototypes. We opened 13 of these smaller-footprint stores in 2016.

Our new full-scale prototype features a cleaner look that evokes the concept of health. The exterior finish material is Nichiha fiber cement panels, which can mimic a variety of looks and is manufactured using more than 20% recycled materials. We have developed a new set of materials standards that are more materially sensitive and fit within our brand. Starting in 2016, LED lighting is being installed throughout

the interior and exteriors (signage, parking lots, etc.) of all of our new builds, whether or not they are based on the prototype.

All of our interiors will continue to be built and remodeled in a green-sensitive manner. We use zero-volatile organic compounds (VOC) paint and adhesives and meet the California Building Standards Code. In 2016, following our acquisition of the pharmacies inside Target stores, we converted 1,687 former Target pharmacies to CVS Pharmacy specifications. We used green materials in the shelving and paint, and LED lighting on new exterior signs.

In 2016, we opened 164 new and relocated stores. Fifteen of these were based on the new prototype, and 13 of those prototype-based stores had smaller footprints. In 2017 we are scheduled to open about 100 new and relocated stores, including about 20 based on the prototype.





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**Our water usage per square foot of retail space declined by nearly 13%, reflecting a declining trend since at least 2010.**

### Conserving Water

We believe that declining water quality and water scarcity pose a threat to the long-term health and sustainability of many communities around the world. We continue to evaluate ways to reduce water usage and have taken steps to monitor and reduce our consumption, particularly in water-stressed areas where we operate.

In 2016, our total water use declined by 12% from 2015 despite a 1% gain in our total retail space. Our water usage per square foot of retail space declined by nearly 13%, reflecting a declining trend since at least 2010. In total, water usage per square foot has declined 34% from the 2010 baseline.

This decline stems from our water management strategy, which provides guidance on driving efficiencies and reducing usage. We have established guidelines around appropriate landscaping for new properties and have implemented water reduction initiatives into both LEED and non-LEED buildings. Water use and savings are measured regularly.

### Incorporating Green Building Practices

We continually incorporate design and construction characteristics of our certified green buildings that have a demonstrated a return on investment, such as energy and water efficiency features and the use of sustainable materials.

In 2016, one of our new stores was certified LEED Silver by the U.S. Green Building Council, bringing the number of our portfolio of LEED-certified stores and facilities to 12. Four other stores were pending certification. Our LEED buildings have served as a prototype for new construction projects. It was this process that prompted us to adopt LED lighting in all new construction and retrofits.

Our LEED Platinum store in West Haven, CT has achieved a 40% energy savings compared to comparable existing stores. Results from the performance of our LEED Platinum store has informed several features of our new prototypes, including increased insulation, efficient glazing, dimmable LED lighting to reduce daytime energy use, and LED parking lighting.

### Renewable Energy

Our large footprint gives us the opportunity to have a significant impact on GHG emissions. But the fast pace of change in energy efficient technology and our large scale warrant a conservative approach to investments that will be introduced throughout our chain.

Our Energy Technology Assessment Committee (ETAC) meets to identify opportunities across our operations to reduce energy and GHG emissions while also lowering costs. ETAC proactively reviews energy efficiency concepts and technologies that drive our operational efficiencies.

We currently have five stores powered by rooftop solar panels, and continue to evaluate renewable energy solutions. Due to low energy prices, most of these projects are not at this time competitive from a financial standpoint at this time. Our focus remains on programs with immediate returns that reduce energy consumption and are in line with store growth strategies. We will be further discussing our approach to renewable energy when we establish our science-based emissions target.

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**We currently have five stores powered by rooftop solar panels, and continue to evaluate renewable energy solutions.**





## Sustainable Products and Packaging

Our sustainable products and packaging efforts respond to the evolving needs and concerns of customers as well as regulators, advocacy groups and other stakeholders. Our approach is largely focused on ingredients and material use, and on ensuring the quality and safety of the products we offer.

After extensive customer research and stakeholder engagement, we've made the decision to remove parabens, phthalates and the most prevalent formaldehyde donors across nearly 600 store brand beauty and personal care products; published our full list of restricted chemicals by product category; and made advancements in ingredient and labeling transparency and verification.



4K+

products in our label claim substantiation process



2.7K

stores to sell Promise Organic personal care items in 2017



600

beauty and personal care products will no longer contain phthalates, parabens and the most prevalent formaldehyde donors

### Addressing Chemicals of Consumer Concern (CCCs)

We are listening when our customers ask for products that still provide the benefits they need with fewer ingredients of concern. Our April 2017 [announcement](#) concerning the removal of parabens, phthalates and the most prevalent formaldehyde donors across nearly 600 of our store brand beauty and personal care products is a natural step in the evolution of our comprehensive approach to chemical safety.

We will remove these ingredients from our store brand CVS Health®, Beauty 360®, Essence of Beauty®, Promise Organic™ and Blade® product lines. CVS Pharmacy will stop shipping products containing these ingredients to distribution centers by the end of 2019.

This move was driven by insights we gleaned through customer surveys, engagement with key advocacy groups, and conversations with our product development teams about maintaining product quality. It builds on a foundation laid over the last decade to advance our chemical management efforts.

We remain committed to improving transparency for consumers and other stakeholders. In 2016, we became a signatory on the [Chemical Footprint Project](#), signaling a commitment to chemical transparency across our

supply chain. Also, in early 2017, we [published](#) our full list of restricted chemicals by product category. We will continue to address additional CCCs and to focus on additional product categories as appropriate.

### Introducing More Sustainable Products

Our exclusive line of personal care items, Promise Organic, is designed to be healthy for the consumer and the environment. All products are made with naturally derived ingredients that are certified organic by NSF International, the leading independent public health and safety organization. In 2017 we plan to expand the number of CVS Pharmacy locations that offer Promise Organic from 1,700 to about 2,700. We also plan to launch four new Promise Organic baby skin care products in about 2,000 stores in 2017.

In March 2017, we became the exclusive national drug store chain partner for The Honest Company, which is committed to creating products that are delightful, accessible and responsible. More than 4,100 CVS Pharmacy locations will carry items including bio-based, non-chlorinated diapers; biodegradable wipes; and a shampoo made with organic botanicals. Honest Company products will also be available on a dedicated microsite at [CVS.com®](#).

### Sunscreen Protection

As awareness about skin cancer has grown, so have concerns that some sunscreen products are failing to adequately protect users from the dangers of sun exposure. The U.S. Food and Drug Administration (FDA) reviews the active ingredients in sunscreens to ensure they are generally recognized as safe and effective. In 2016, we decided to go beyond FDA requirements by joining the Skin Cancer Foundation, the only international organization devoted solely to education and treatment of skin cancer. The Skin Cancer Foundation has started to certify CVS Health's store brand products to their higher standards and to provide its Seal of Recommendation on our sunscreen products. We're leading with heart by providing customers this added layer of validation.

### Labeling and Transparency

Consumers are demanding greater transparency around the ingredients included in the products they choose. In 2016, we increased the rigor of our label claim substantiation process to give consumers more confidence in product label information.

We completed additional due diligence on certifications that appear on labels to ensure reliability. We also began a process of partnering with our suppliers to validate the label claims on all of our store brand products in every category — more than 4,000 products. For example, suppliers who make claims based on studies must provide us with validation of the studies' methodology and results; this is a more robust review than required under industry standards.

This label claim substantiation process is in addition to the required registration and monitoring of product ingredients through WERCSmart, our supply chain compliance tool, as well as our ongoing product testing regime.



# Our Commitment to Sustainable Products

## Timeline of Milestones

### 2007

Advanced efforts to address chemicals of consumer concern (CCCs)

Engaged with cosmetic safety advocates

Expanded assortment of natural beauty products meeting EU standards

Increased offerings of natural food and household cleaning products

### 2008

Became first major drugstore to establish a Cosmetic Safety Policy

Affirmed “no animal testing” policy

Introduced proprietary Earth Essentials line of household paper goods

### 2009

Formalized and disclosed rigorous requirements of cosmetics vendors, including list of banned ingredients

Launched Vickery & Clarke Apothecary collection

### 2010

Introduced Earth Essentials line of sustainable household cleaning products

Began search for alternative ingredient to triclosan

### 2011

Collaborated with vendors and suppliers to reduce product packaging and associated waste

Held internal summits to promote sustainable packaging opportunities

Continued expansion of Earth Essentials line to include kitchen and lawn bags

### 2012

Campaign for Safe Cosmetics “Retailer Therapy” report ranked CVS 2nd behind Whole Foods for progress on safer cosmetics

Phased out parabens and formaldehyde-releasers in all CVS Brand baby care products

Confirmed CVS Brand baby products do not contain triclosan and certain phthalates and that levels of 1,4-dioxane are less than 5 parts per million

Introduced 7 new CVS Brand baby care products that are quaternium-15-free, cruelty-free and gluten-free

# Our Commitment to Sustainable Products

## Timeline of Milestones

### 2013

Launched Mind the Store campaign, pushing for safer consumer products free from toxic chemicals; CVS recognized by campaign for “making progress”

Removed cocamide and cocamide DEA from all CVS Brand products

Removed parabens from Essence of Beauty product line

Launched WERCSmart tool to ensure suppliers register ingredient information for all chemical-based products, including personal care and beauty products as well as other products containing hazardous materials

### 2014

Stopped selling tobacco products

Partnered with other leading retailers, product and chemical manufacturers to develop common goals in sustainable chemical management

Launched proprietary Gold Emblem Abound line of snacks with 40+ wholesome items free from artificial flavors and preservatives

Began tagging healthier food options as “Fit Choices” to guide shoppers in their selections

### 2015

Removed formaldehyde from CVS Brand baby products

Eliminated microbeads and triclosan from all CVS Brand products

Engaged with the Green Chemistry and Commerce Council (GC3), The Sustainability Consortium and other industry peers on common goals in sustainable chemical management

Introduced Seventh Generation household product line in 450+ stores

Launched Promise Organic, a proprietary line of certified organic personal care products

Doubled offerings of Gold Emblem Abound line of wholesome snacks

### 2016

Published and implemented policy on responsible palm oil sourcing

Implemented label claim substantiation policy

Launched packaging review initiative

Enhanced Fit Choices initiative to include tagging of “Good Source of Protein” and “Non-GMO Product Verified” food items

Redesigned 450 stores to give healthy snacks more prominence

Joined the Roundtable on Sustainable Palm Oil

Committed to 100% cage-free eggs by 2025

### 2017 & beyond

Announced free-from store brands products

Became the exclusive national drugstore chain partner for The Honest Company

Expanded line of Promise Organic products

Published full list of restricted chemicals in store brand beauty and personal care products

Develop and launch sustainable product policy



## Internal and External Engagement Around Our Sustainability Vision

Achieving sustainability requires collaboration. We have the ability to leverage our size and scale to increase awareness of key sustainability issues with colleagues, customers and business partners, driving our industry forward and developing meaningful partnerships with our key stakeholders.

Stakeholder engagement helps us to multiply the impact of our programs and initiatives and extend our commitment to lead with heart. For example, we encourage our colleagues to practice sustainability inside and outside our organization, and we work to increase sustainability and transparency within our supply chain and among our peers.

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## Supply Chain Sustainability

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In 2016, we took significant steps to reduce paper use and established a goal for sustainable sourcing of palm oil.

Sustainability has long been a factor in our procurement decisions. We are working toward a Sustainable Product and Procurement Policy that will formalize sustainability standards as an element in our requests for proposals and procurement contracts.

### Sustainable Paper Sourcing

At CVS Health, we are concerned about deforestation because it contributes significantly to climate change. We use more than 73,000 tons of paper in our business operations for uses including receipts, bags, mailers, flyers and corporate documents.

In 2015, we established a target to procure 100% of the paper we use from sustainable sources. In 2016, we made progress toward that goal. Approximately 89% of the paper we use across the enterprise is sustainably sourced. In addition, 72% of our paper is certified by the Forest Stewardship Council (FSC).

We've been working for three years to transition to sustainably sourced and/or recycled-content paper. For example, our Proxy Statement and Annual Report are printed on FSC-certified paper. Here's a summary of our progress in 2016:

- **Consumer product circulars:** 60% of paper used in our circulars is now FSC-certified and made from uncoated stock, which is produced in a more environmentally friendly manner than coated paper stocks.
- **Direct mail:** Our goal is to include at least 10% post-consumer recycled content in all the paper we use for direct mail. By the end of 2016, 30% of our direct mail contained recycled content, down from 44% in 2015. We encountered challenges obtaining sufficient quantities of recycled paper substrate and recycled paper at the needed sizes. We will be working to resolve and increase our volume again in 2017.
- **Business stock:** This was our third year of using 18 lb. weight eucalyptus stock for our office paper, which has a smaller environmental impact than standard 20 lb. weight paper. This paper is all FSC-certified.

### Reducing Our Paper Usage

Going digital presents a great opportunity to reduce our paper usage. In 2016 we implemented a digital receipts program that allows us to send receipts directly to customers' email. To date, more than 3.9 million ExtraCare® members have enrolled in this program. We can also

send notices of ExtraCare deals and ExtraBucks® Rewards directly to a customer's online ExtraCare account, which can be managed through our CVS Pharmacy app.

Customers can also view circulars online and create store shopping lists through their myWeekly ad. These innovations help us to improve and personalize the shopping experience while reducing our paper-based marketing communications. In 2016, we cut four pages from all versions of our retail consumer product circulars. We have also reduced distribution of circulars to our stores, and we plan to eliminate store distribution of circulars altogether.

Among our other efforts to reduce paper usage:

- We are encouraging our PBM customers to opt in to digital delivery of communications. This includes the monthly Evidence of Benefits statement that is mailed to all active Medicare members — about 9 million members each month.
- When we have more than one notice to send to a customer, we are working to combine them into a single mailer.

### Our Palm Oil Policy

Palm oil is a versatile raw material. It's one of the most commonly used vegetable oils, and it can be found in CVS Health brand and private label food products as well as in a range of home and personal care products sold in our stores. We're concerned about palm oil production because it sometimes involves the clearing of tropical forests which provide invaluable environmental and social benefits.

We announced our [new palm oil policy](#) in 2016. Our goal is to ensure that by 2020, 100% of the palm oil we use in our products will come from verified, responsible sources delivered through fully traceable supply chains.

In 2016, we joined the Roundtable on Sustainable Palm Oil (RSPO). We have asked our suppliers to adhere to the RSPO Principles & Criteria on palm oil and palm oil derivative sourcing. The Principles and Criteria aim to mitigate deforestation; to avoid planting on carbon-rich peat lands; to avoid planting on land acquired illegally; and to avoid planting on land that is customarily used by others without the free prior and informed consent of local communities. Palm oil plantations must be free of human rights violations including forced and child labor, human trafficking and poor working conditions.

We aim to ensure that by the end of 2020, all products shipped to our distribution centers will adhere to these guidelines. We will report our progress annually to the RSPO and on our website.





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## Celebrating Our Suppliers' Sustainability Performance

We can't deliver on our Prescription for a Better World strategy alone, and rely on the support of key stakeholders, including our suppliers. That's why, in 2016, we presented our first-ever supplier award for sustainability and social responsibility.

The award is based on factors including third-party assessments and collaborations with CVS Health on CSR initiatives. The 2016 inaugural award was given to Johnson & Johnson Consumer Inc. (JJCI), one of the world's largest consumer health and personal care products companies.

JJCI has partnered with us over the years on a number of sustainability efforts, including discussing packaging issues and opportunities with our Environmental Health and Safety team and participating in a stakeholder engagement process with Ceres to discuss our CSR progress and challenges. JJCI and CVS Health were also signatories to the Chemical Footprint Project in its inaugural year, demonstrating the companies' joint commitment to chemical transparency and management of chemicals in products.

In 2016, JJCI partnered with us on an initiative to raise awareness among our customers on the importance of recycling bathroom products. Research conducted on behalf of JJCI had found that personal care products are recycled less than products used in the kitchen and office. The company's Care To Recycle<sup>®</sup> program educates consumers about bathroom recycling through fun tips, family activities and DIY projects offered through its website and social media.

In 2016, we promoted the Care To Recycle campaign through our own web and social media channels, and in 2017 we will expand the effort. A CVS.com promotion will offer customers a free bathroom recycling bin with purchase, addressing a top barrier to recycling in the bathroom.

Our work with JJCI clearly demonstrates the value of partnership to deliver on mutual CSR and sustainability commitments as well as the collective impact we can have when we come together.

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## Engaging Colleagues and Peers in Sustainability

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CVS Health and many of our stakeholders share an interest in preserving the planet. Whenever we can, we donate our time or share our perspective and expertise on sustainability with colleagues, customers, clients and business partners through volunteerism, training, education or dialogue.

### Working with Peers

We frequently work across our supply chain on efforts to minimize waste or to improve the sustainability of the products we sell. In the [Waste Diversion and Recycling](#) section, for example, we discussed how we provide suppliers with feedback on what is happening to their packaging after it gets to our stores, which gives them an opportunity to redesign packaging or products to minimize waste.

We take active roles with industry consortia and associations such as the National Association of Environmental Managers, Green Chemistry Council, Forum for the Future and the Retail Industry Leaders Association to discuss and participate in collective efforts to improve environmental management. We have also worked with other retailers to talk with suppliers about replacing or eliminating chemicals of concern in products and reducing the amount of product packaging that arrives in our distribution centers and stores.

We also work with regulators at federal and state agencies through direct communication and participation in work groups. We seek to help them

understand our business and the potential impact of current or proposed regulations. For example, we recently participated in the California Hazardous Waste Retail Working Group to discuss the state's hazardous waste regulatory requirements. We've also worked with the U.S. Environmental Protection Agency on its retail strategy for hazardous waste regulations.

### Working with Colleagues

We believe our sustainability initiatives will have the greatest impact when our colleagues are informed and engaged in them. In 2016, we launched the GreenTeam Colleague Resource Group, which aims to make environmental sustainability a relevant part of every colleague's role and responsibility. The GreenTeam is a reflection of how our colleagues are leading with heart to advance environmental sustainability across our enterprise. The group will share information, develop programs and raise awareness of sustainability issues. The GreenTeam currently has one chapter at our Rhode Island headquarters with plans to expand to other facilities in the future.

CRGs are further discussed in the [Colleague Diversity](#) section. Please see the [Index](#) for a discussion of other

initiatives to engage colleagues in sustainability — including our colleague sustainability platform and our sustainability committees — and on the link between sustainability and compensation.

We are also committed to helping our colleagues make more sustainable decisions — whether at work or at home. We've established a new target in this area:

- Our colleagues will log 10,000 “green actions” on our online volunteering portal by 2020.

Green actions are actions colleagues can take to reduce their environmental impact, such as using a reusable water bottle or biking to work. By logging their green actions through our online volunteering portal, Community Crew, colleagues learn how even small changes — like turning off their computer every night — can make a measurable difference. They can also earn points that can be redeemed for merchandise or gift cards through Values in Action, our employee recognition program.

For the GreenTeam  
Every Day is

# Earth Day





**“By coming together, we can help promote sustainability not only for the company, but for ourselves, our families and our local communities.”**

GreenTeam CRG co-chairs, Nadine King and Caitlin O'Donnell

CVS Health colleagues are committed to giving back to their local communities, whether volunteering at a community health center to offer medical screenings, serving on a nonprofit board, or talking to local students about the dangers of prescription drug abuse. To extend this spirit of volunteerism and as part of our commitment to increase our engagement around environmental sustainability among our colleagues, we developed the new GreenTeam Colleague Resource Group (CRG). The goal of the GreenTeam is to harness this enthusiasm and engage colleagues across the organization in supporting the health of the environment.

“When launching the GreenTeam CRG, our goal was to inspire and drive passion among colleagues regarding environmental sustainability,” says Nadine King, Manager, Corporate Environmental at CVS Health and Enterprise Co-Chair for the GreenTeam. “A lot of people who aren’t in the corporate environmental department at CVS Health still want to do something for the greater good, and together we can have a big impact.”

The GreenTeam was formally launched in 2016, and has hosted events throughout early 2017 to engage colleagues in green initiatives and grow membership.

## GreenTeam

The GreenTeam has garnered support from senior leaders including its Executive Sponsor, Eileen Howard Boone, SVP of Corporate Social Responsibility and Philanthropy. By early 2017, more than 150 colleagues had joined the first chapter at CVS Health's Rhode Island headquarters. The GreenTeam has plans to expand nationwide; colleagues across the country have indicated interest in forming new chapters.

The GreenTeam's mission is to make environmental sustainability a relevant part of every colleague's role and responsibility.

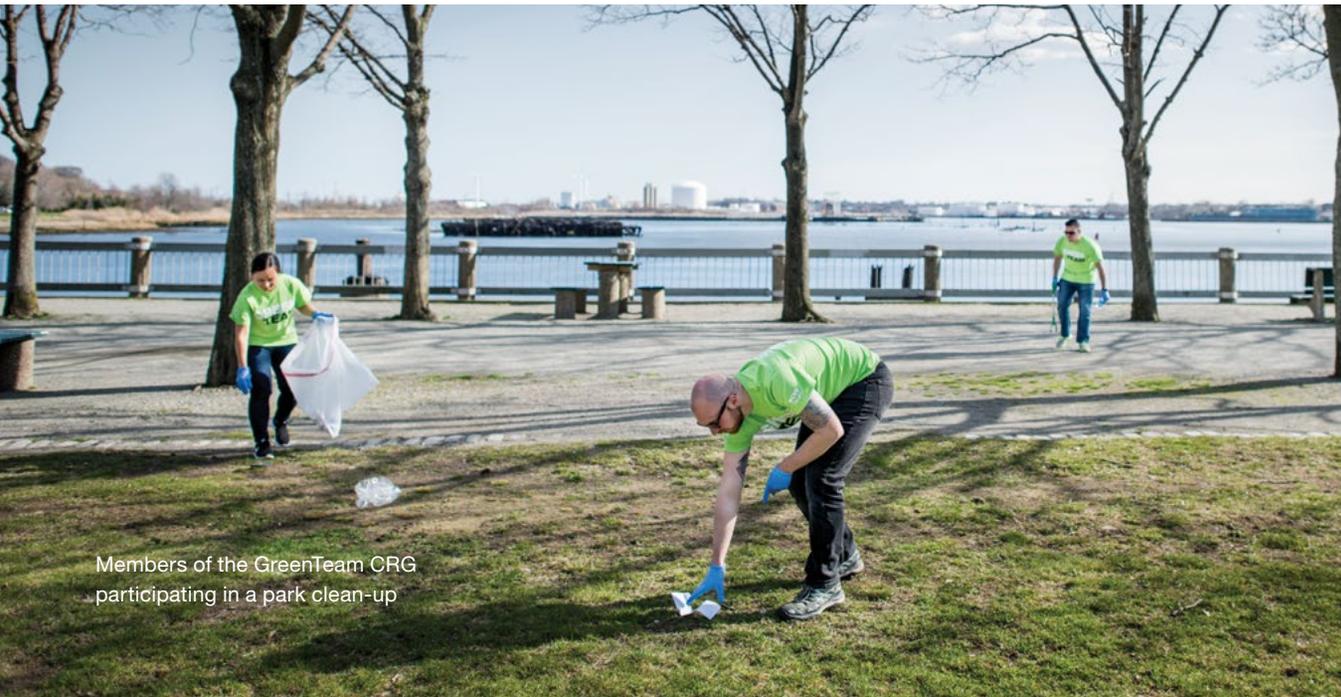
"We hope the GreenTeam will bring together colleagues from diverse backgrounds, perspectives and business areas," says Caitlin O'Donnell, Manager of Corporate Social Responsibility at CVS Health and Enterprise Co-Chair for the GreenTeam. "This should help us develop innovative ideas that can be implemented across our business units."

Colleague feedback is vital to sustaining membership, and the team takes member opinions into consideration when planning events and communications. The group will serve as a forum for information about CVS Health sustainability initiatives, offer tips about how colleagues can make an impact outside the office, and host events that support the environment and health of local communities.

"In our daily operations and even with special events, like the CVS Health Charity Classic, we strive to be mindful of the environment and think of ways to reduce our impact," King says.

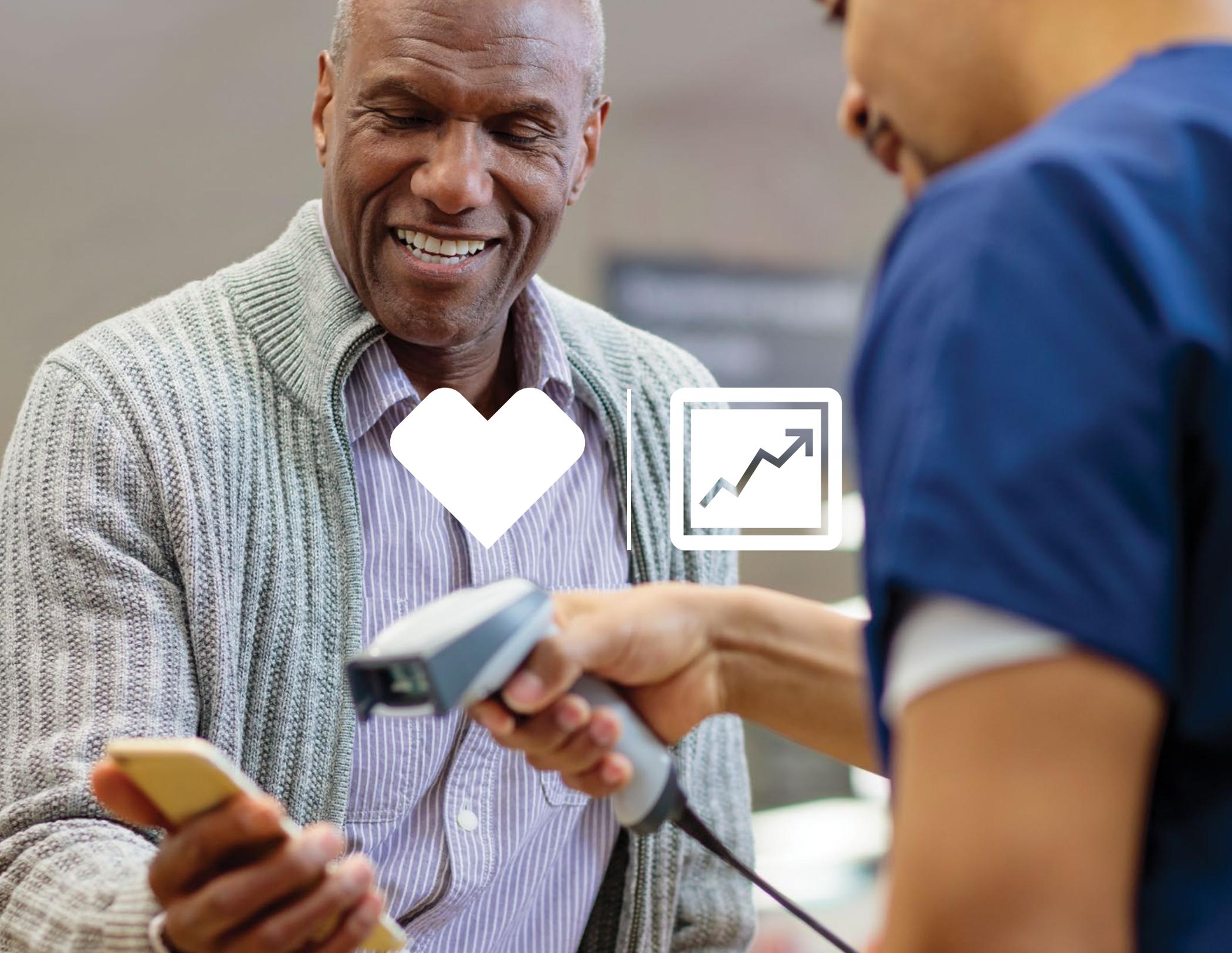
Setting a model for other chapters, the chapter will organize three or four volunteering events each year, such as cleanups at beaches and parks.

"By coming together, we can help promote sustainability not only for the company, but for ourselves, our families and our local communities," O'Donnell says.



Members of the GreenTeam CRG participating in a park clean-up





# Leader in Growth

**CVS Health continued to experience exceptional growth in 2016. As we grow, we're committed to listening to our colleagues, customers, suppliers, communities and investors and to taking their interests and concerns into account.**

We follow through on our purpose of helping people on their path to better health – and on our values of integrity and accountability – by striving to create a safe, rewarding, engaging and inclusive workplace. We're also committed to transparency and to the implementation of robust standards throughout our enterprise and across our supply chain.

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## Top Accomplishments in 2016



**Published Human Rights Policy covering both the workplace and supply chain**



**Achieved target of spending \$1 billion on diverse Tier I suppliers one year ahead of schedule**



**Sponsored more than 2,000 Registered Apprenticeships in 11 states**

# Priorities and Progress

## Leader in Growth

Strategic Priorities	Goals	Highlights in 2016
<p>Safe, Rewarding and Inclusive Workplace</p>	<p>Create a best-in-class workplace</p> <p><b>Multi-year targets:</b></p> <ul style="list-style-type: none"> <li>• Increase participation in Colleague Resource Groups (CRGs) to 10% of our workforce by 2025</li> <li>• Increase the number of hours our colleagues volunteer by 10% year-over-year</li> </ul>	<ul style="list-style-type: none"> <li>• Participation in CRGs increased by 35% to 2.65% of workforce</li> <li>• Value of volunteer time increased 66%</li> <li>• Roth 401(k) option introduced</li> <li>• Colleague engagement surveys exceeded benchmarks</li> <li>• 2,000+ Registered Apprenticeships in place</li> <li>• Established three new targets:               <ul style="list-style-type: none"> <li>- Provide in-person, classroom training sessions for 100% of mid-level leaders by 2019</li> <li>- CVS Health colleagues will collectively complete at least 2 million hours of compliance training every year</li> <li>- Increase the average participation rate across all 401(k) plans to one-half of all eligible colleagues by 2022</li> </ul> </li> </ul>
	<p>Ensure that the diversity of our colleagues represents the diversity of our customers and local communities</p>	<ul style="list-style-type: none"> <li>• Signed White House Equal Pay Pledge</li> <li>• Launched mandatory training for managers on hiring and retaining veterans</li> </ul>
<p>Regulatory Compliance and Voluntary Standards are Met or Exceeded</p>	<p>Ensure that policies and processes are in place to meet or exceed regulatory standards</p>	<ul style="list-style-type: none"> <li>• Enhanced compliance training</li> <li>• Implemented new Environmental Health &amp; Safety regulatory tracking system</li> <li>• Encrypted PBM “data at rest”</li> </ul>
<p>Supply Chain Responsibility</p>	<p>Embed diversity within our supply chain</p> <p><b>Multi-year target:</b></p> <ul style="list-style-type: none"> <li>• \$1 billion spend on Tier I suppliers by 2017, or 10% of our total sourceable procurement spend annually</li> </ul>	<ul style="list-style-type: none"> <li>• Exceeded 2017 goal: More than \$1 billion spent on Tier I diverse suppliers</li> <li>• Published Human Rights Policy</li> <li>• Established new target:               <ul style="list-style-type: none"> <li>- Achieve acknowledgement of Human Rights Policy by 100% of colleagues by 2019</li> </ul> </li> </ul>



## Safe, Rewarding and Inclusive Workplace

As a large employer, we understand the challenges of attracting and retaining a skilled and talented workforce. Over the next few years, talent shortages are projected in many highly skilled areas of health care on which we depend. Our goal within this environment is to build a diverse workforce that reflects our local communities and creates opportunity within those communities.

We meet these challenges by providing a wide variety of training and development opportunities, creating programs to support diverse hiring at all levels, offering competitive wages and benefits, and promoting workforce safety and engagement.

Creating a safe, rewarding and inclusive workplace sends a message to our colleagues that we care about them and their development — both personal and professional — and illustrates our commitment to lead with heart.



**2K+**

Registered  
Apprenticeships  
in 11 states

**4K**

people completed  
workforce  
development programs



**92K**

hired in 2016



**\$2.5M**

worth of colleague time  
spent volunteering

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## Job Creation, Career Development and Best-in-Class Workplace

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As we grow, we share our success with our colleagues and our communities. We invest in career development opportunities to help our colleagues advance, as well as outreach programs to attract new colleagues from diverse backgrounds. We offer competitive wages and a benefits package that demonstrates a broad commitment to our colleagues' well-being, and we're always finding new ways to keep our colleagues safe and engaged on the job.

### Creating Jobs

As a growing company, we can help to spur economic growth and improve livelihoods. In 2016, we hired more than 92,000 new colleagues, including 82,000 at our retail locations, more than 9,000 at our corporate facilities and distribution centers, and more than 700 at MinuteClinic locations. We also hired more than 20,000 youths in full- and part-time summer positions.

### Investing in a Future Workforce

CVS Health has a commitment to hire out-of-school youths into their first jobs. We seek to expose youths to career opportunities in health care and then help them with the training they need to build a career with us.

### Helping Underserved Youth

The myCVS Journey Pathways to Health Care Careers (formerly Pathways to Pharmacy) program introduces underserved youths to various health care-related professions through training, job shadowing, internships and apprenticeships in CVS Pharmacy stores.

MyCVS Journey Pathways to Health Care Careers is a STEM-enriched initiative that begins in elementary grades and spans middle and high school with opportunities along the way to learn about retail pharmacy, professional management, nursing, and information technology. In 2016, more than 60,000

young people were exposed to careers in health care through more than 320 youth programs across the country, adding to the more than 1 million individuals impacted since the program was founded in 2000.

### Registered Apprenticeships

Registered Apprenticeship is a program of the Department of Labor that combines paid on-the-job learning and academic instruction in the advanced skills workers need to launch well-paid careers. Registered Apprenticeships are sometimes referred to as "the other college" because, in most cases, they produce the equivalent of a college degree without the loan debt students might incur in a more traditional setting. We have been steadily expanding this program and currently have more than 2,700 Registered Apprenticeships in 11 states for roles such as store manager and pharmacy technician. We intend to expand the program to 3,000 participants by 2020.

We also offer pharmacy residency and fellowship programs designed to develop the professional and clinical skills of our pharmacists and cultivate their leadership talents. In 2016, we provided nearly \$850,000 in scholarship funding through the CVS Health Foundation [Pharmacy Scholarship Program](#). We also launched the Foundation's new [scholarship program](#) to support nurse practitioners and physician assistants.



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## Regional Learning Centers

Operating in collaboration with government agencies, community colleges and community based organizations that provide employment and educational services, our centers supported the training and development of more than 11,000 CVS Health retail colleagues in 2016. They also provided pre-employment skills and continuing education to an additional 1,500 job-seekers.

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# 2016 New Hires

**82K**

retail

**9K**

corporate and  
distribution center

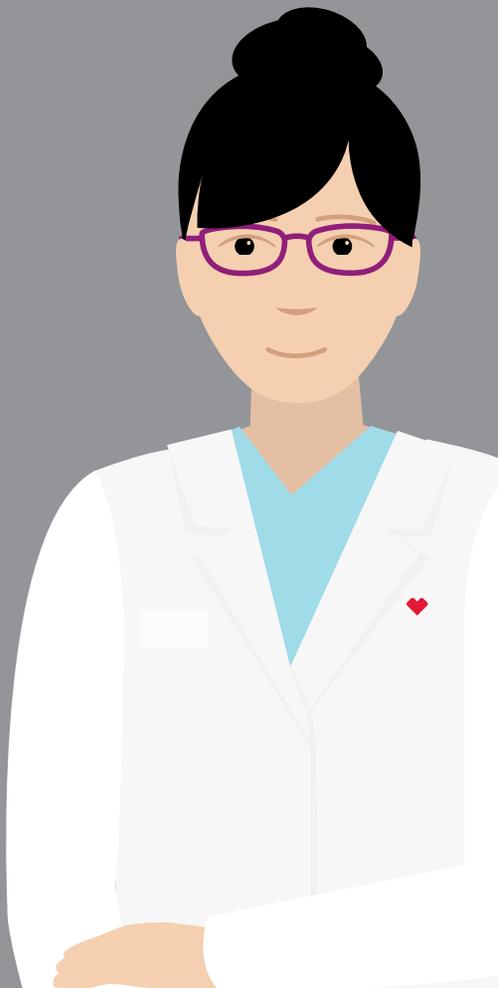
**700**

MinuteClinic

**20K**

summer youth

All of our colleagues have access to training that can help them improve their performance and advance their careers at CVS Health.



### Advancing the Careers of Colleagues

All of our colleagues have access to training that can help them improve their performance and advance their careers at CVS Health. Our training programs help colleagues understand the what, the how and the why behind the processes and initiatives that support our focus on helping people on their path to better health.

We continue to expand training opportunities for our colleagues, as well as explore new technologies and learning methods that help us deliver training more effectively. For example, in 2016 we developed 84 new videos to support training for different job roles. We also incorporated all former Omnicare and Target pharmacy and clinic colleagues into our training systems. That includes LEARNet, our online portal that provides ongoing opportunities for colleagues to upgrade skills using 40,000 learning activities.

We also provide a variety of leadership programs for retail and enterprise colleagues. For example, our Transitions to Advanced Leadership program, which launched in 2016, is a collaboration with Duke Corporate Education to provide targeted leadership training to mid-level enterprise leaders. In 2016, 248 leaders attended this program, spending an average of 26 hours on classroom training, key on-the-job learning experiences and webinars.

We continue to invest in training for colleagues and have added two new targets in this area:

- Provide in-person, classroom training sessions for 100% of mid-level leaders by 2019.
- CVS Health colleagues will collectively complete at least 2 million hours of compliance training every year.

In 2016, we evolved our performance system to support our internal career development efforts. Through the system, called MySuccess, colleagues can create a profile including skills and prior experience, create individual development plans, and complete competency assessments. Through a pilot, our hiring partners can consult these profiles when seeking to hire internally.

### Improving Our New Colleague Orientation

In July 2016, we revised our new colleague orientation program to put a greater emphasis on our values, culture and purpose. We want to ensure that each new colleague understands how the entire organization helps people on their path to better health and how his or her role fits within the organization.

The orientation now covers areas including corporate social responsibility, volunteerism, colleague resource groups, and key milestones in our history such as our decision to stop selling tobacco. The goal is to ensure that each colleague starts his or her job not only competent and effective, but also inspired and ready to lead with heart.

More details on our leadership programs can be found in our [Index](#).

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**We're proud of our retirement package, which offers a 100% company match on the first 5% of colleague contributions to their 401(k).**



#### **New Retirement Account Features**

We're proud of our retirement package, which offers a 100% company match on the first 5% of colleagues' contributions to their 401(k). Our 401(k) is available to all colleagues who work 30 or more hours a week.

We believe that contributing to a retirement account — and taking advantage of our match — is important to ensuring a secure and comfortable retirement for all our colleagues. We have introduced a new performance target in this report:

- Increase the average participation rate across all 401(k) plans to one-half of all eligible colleagues by 2022

Currently, one-third of our colleagues contribute annually to their 401(k) plans with their own savings. We will work to encourage greater colleague participation through greater awareness of the company's commitment to match dollars invested and by highlighting the need to actively prepare for retirement.

Our retirement plan includes a variety of investment options for colleagues of differing risk tolerances, and in 2016 we added a fund option focused on social responsibility. In addition, our Employee Stock Purchase Program offers discounted stock to qualified colleagues.

In 2016, we began offering colleagues a Roth 401(k) account, which allows them to save post-tax money in exchange for tax-free withdrawals upon retirement. By opting for a Roth 401(k), colleagues can enjoy many years of tax-free growth. We also continue to offer a traditional 401(k) plan.

On June 14, 2016, we joined 28 other leading businesses to sign the [White House Equal Pay Pledge](#). Pledge signatories commit to conducting an annual gender pay analysis across occupations, reviewing hiring and promotion processes and procedures to reduce unconscious bias and structural barriers, and other measures.



### Delivering Comprehensive Benefits and Compensation

Our benefits package for all colleagues who work 30 or more hours per week includes comprehensive medical and prescription coverage; vision and dental coverage; a 401(k) and Roth 401(k); a colleague stock purchase plan; adoption benefits; life, accident and disability insurance; supplemental medical options; flexible spending accounts for health and dependent care; paid time off; tuition reimbursement; and a colleague discount at our stores as well as access to many other colleague discounts.

Colleagues who work fewer than 30 hours per week are eligible for a benefits package that includes supplemental medical options, dental and vision coverage, as well as supplemental life insurance. More details on our health benefits for all colleagues can be found in the [Improving Colleague Health](#) section of this report.

In 2017, we plan to offer a student loan refinancing program, which will help take some of the financial burden off colleagues and make it easier for them to refinance their student loans.

Our company is also committed to providing fair compensation to all of our colleagues, and we meet or exceed all state and federal minimum wage requirements. In 2016, we incorporated former Target and Omnicare employees, who joined us by acquisition, into our compensation and benefit programs.

### Signing the Equal Pay Pledge

CVS Health is committed to paying our colleagues equitably regardless of gender. On June 14, 2016, we joined 28 other leading businesses to sign the [White House Equal Pay Pledge](#). Pledge signatories commit to conducting an annual gender pay analysis across occupations, reviewing hiring and promotion processes and procedures to reduce unconscious bias and structural barriers, and other measures.

We believe diversity and innovation go hand in hand, and we strive to model best practices to promote and develop diverse talent. Our CEO serves as the executive sponsor of the CVS Health Women's Success Network, one of our largest Colleague Resource Groups. And we have been recognized as a best practice company by the 2020 Women on Boards Initiative.

### Measuring Colleague Engagement

Listening to our colleagues is important to our engagement strategy. In 2016, 89% of our full- and part-time CVS Health colleagues responded to our confidential engagement survey, up from 86% in 2015.

Our colleagues continue to be highly engaged. They understand how the work they do aligns with the company's purpose and how to comply with relevant rules and regulations. In fact, our colleagues exceed a benchmark engagement survey of Fortune 100 Best Places to Work and Most Admired Companies on all 20 items with available benchmark data. Across all survey categories, we maintained our gains or added to them from the prior year.

Results from surveys of colleagues from the Target and Omnicare acquisitions were used as a baseline in 2016 but not incorporated into the 2016 overall results. That will change in future surveys.

In 2017, we are launching a new survey schedule. Retail store and distribution center colleagues will continue the annual Colleague Engagement Survey. All other business units will participate in the engagement survey every other year with a "Taking Action" survey in between. These brief surveys will inform executive leaders and their business units about progress on current action plans.

## The Cycle of Engagement at Omnicare

CVS Health's Colleague Engagement Survey process is a continuous cycle. Leaders share results with their team, discuss strengths and opportunities, develop action steps based on areas of focus and take action. The impact of those steps is measured in the next survey.

The power of the engagement cycle to create change was clear at Omnicare, which did not have an engagement survey prior to our acquisition in August 2015. We administered the first survey in December 2015, and Omnicare leaders quickly took action based on the results. When the survey was given again in June 2016, we saw improvements across all survey measures.

### Volunteering in Local Communities

Our colleagues lead with heart every day by giving of their time and talents to volunteer in their communities. In 2016, we soared past our target of increasing the value of colleague volunteerism by 10% year-over-year. In 2016, colleagues invested time valued at \$2.5 million, an increase of 66% over 2015. We attribute this to the addition of our Omnicare colleagues and several new initiatives outlined in this section.

We support colleague volunteerism in a variety of ways:

- In 2016, we launched the GiveFive initiative, which encourages colleagues to give just five hours of time each year for a cause they support through volunteerism.
- As a part of GiveFive, we began offering Values in Action points to colleagues who log five or more volunteer hours on Community Crew, our online portal where colleagues can search for volunteer opportunities to support causes that matter to them. These points can be redeemed for merchandise or gift cards on the Values in Action website.
- In 2016, MinuteClinic colleagues were added to the Community Crew site.
- Colleagues and teams can apply for a CVS Health Foundation Volunteer Challenge Grant ranging from \$500 to \$5,000 to support a nonprofit for which they volunteer or fundraise.

### A Targeted Approach to Safety

We strive to take a proactive approach to safety by systematically identifying and targeting areas of concern and by always seeking the most effective ways of reaching colleagues with safety messages and training.

In 2016, we launched a dashboard to track the results of safety inspections that occur each year in our stores.

Inspections are conducted internally by our safety team, as well as by ASM, an outside vendor that conducts monthly inspections. We also had approximately 80 visits from federal regulators from the Occupational Safety and Health Administration. The dashboard allows us to find trends and patterns involving risk at the region, district and even store level and guides us when identifying and prioritizing projects to improve compliance.

Our safety dashboards track our incident rates in terms of both frequency and severity. We monitor our facilities using a red, yellow, and green color coded system allowing us to work with partners in all business units to focus on areas of risk to reduce those factors that contribute to risk. For example, we recently discovered that about 50% of injuries at our distribution centers each year are incurred by colleagues who have been working there for less than a year. In response, we developed our New Hire Program, which includes additional safety training, a buddy system, and supervisor check-ins at 30, 60 and 90 days.

Another new program at distribution centers appeals to colleagues' emotional reasons for staying safe. At each center, colleagues are invited to post images of loved ones on a poster board with the title "Who Do I Work Safe For?" to remind them why it's important to remember safety guidelines from their training. We continue to work with national safety groups such as the American Society of Safety Engineers and Board of Certified Safety Professionals, sharing our experiences and learning about evolving standards and best practices in safety.

### Empowering Our Colleagues on Safety

Our dedicated Safety Team supports the safety protocols followed by colleagues and managers. In 2016, we worked to broaden the team's role, going beyond compliance auditing to mentoring and coaching to address safety incidents and concerns. In our retail business, we've given all of our managers



additional training and resources designed to drive safety in our day-to-day business, whether through visits, team meetings or incident response. Managers can now access dashboard data on injury rates and patterns. They are given concrete information on the effects of incidents, including on the lives of affected colleagues. And they have been given safety toolkits on more than a dozen topics designed to help prevent or respond to incidents.

We also continued to expand our emergency response program, which depends on colleagues who volunteer and train to serve on facility-focused Emergency Response Teams (ERTs). The ERTs gained 100 new members in 2016, bringing the total above 500 colleagues. Four large facilities and 15 small facilities also gained ERTs, and we continued to advance the program by updating trainings and formalizing the role of the Incident Commander, who is responsible for overall management of the emergency response team in each facility. Facilities with ERTs receive free trainings in areas including CPR, first aid and evacuation protocols.

By the end of 2016, 26 facilities had ERTs. An additional nine facilities are scheduled to host ERTs by the end of 2017. In 2018, we plan to expand ERTs to our Omnicare facilities.

Our recorded incidence rate for our retail stores was 4.07 in 2016, an improvement from our 4.45 incidence rate in 2015. Our accident frequency rate in our distribution centers was 5.28, also improved from the 2015 rate of 5.32 but slightly above the industry average of 5.0. In 2016, we had zero high-gravity citations, which typically carry high penalties and may pose significant operational risks.

### **Creating Robust Workplace Practices and Policies**

Please see our [Index](#) for more information on our [Code of Conduct](#) and other workplace policies and practices that help us create a welcoming, inclusive and productive workplace.



# Helping Young Moms Thrive

Lisdany Arteaga, CVS Pharmacy technician at the  
Regional Learning Center in Boston

**“I thought, look at us — we’re young, pregnant teenagers. Who’s going to want to help us?”**

When Lisdany Arteaga, 19, first learned about a free, 8-week pharmacy technician training program offered to young mothers, she was skeptical. “I thought, look at us — we’re young, pregnant teenagers. Who’s going to want to help us?”

But the program surprised Arteaga, who was seven months pregnant when she began her training. Jon DaSilva, CVS Health Regional Learning Center Manager in Boston, and his team built the partnership with Roca, a nonprofit organization that helps high-risk youth find meaningful work. Arteaga was one of eight young mothers who graduated last summer from the first pharmacy technician training session through this partnership. Working both online and in stores, trainees learn how to interact with patients and ensure that prescriptions are filled promptly and accurately.

DaSilva and his team did more than offer training, Arteaga says: They supported her as she transformed from a pregnant teen to a confident working mother. Born to a family of Colombian immigrants, Arteaga dropped out of high school in the tenth grade. She obtained her GED, took some classes at a local community college and worked as a restaurant hostess, but found it hard to find a job that could support a family after she got pregnant. She was in

## Helping Young Moms Thrive

her final months of pregnancy when she enrolled in the pharmacy technician training and started work at a CVS Pharmacy near Boston University at the program's completion.

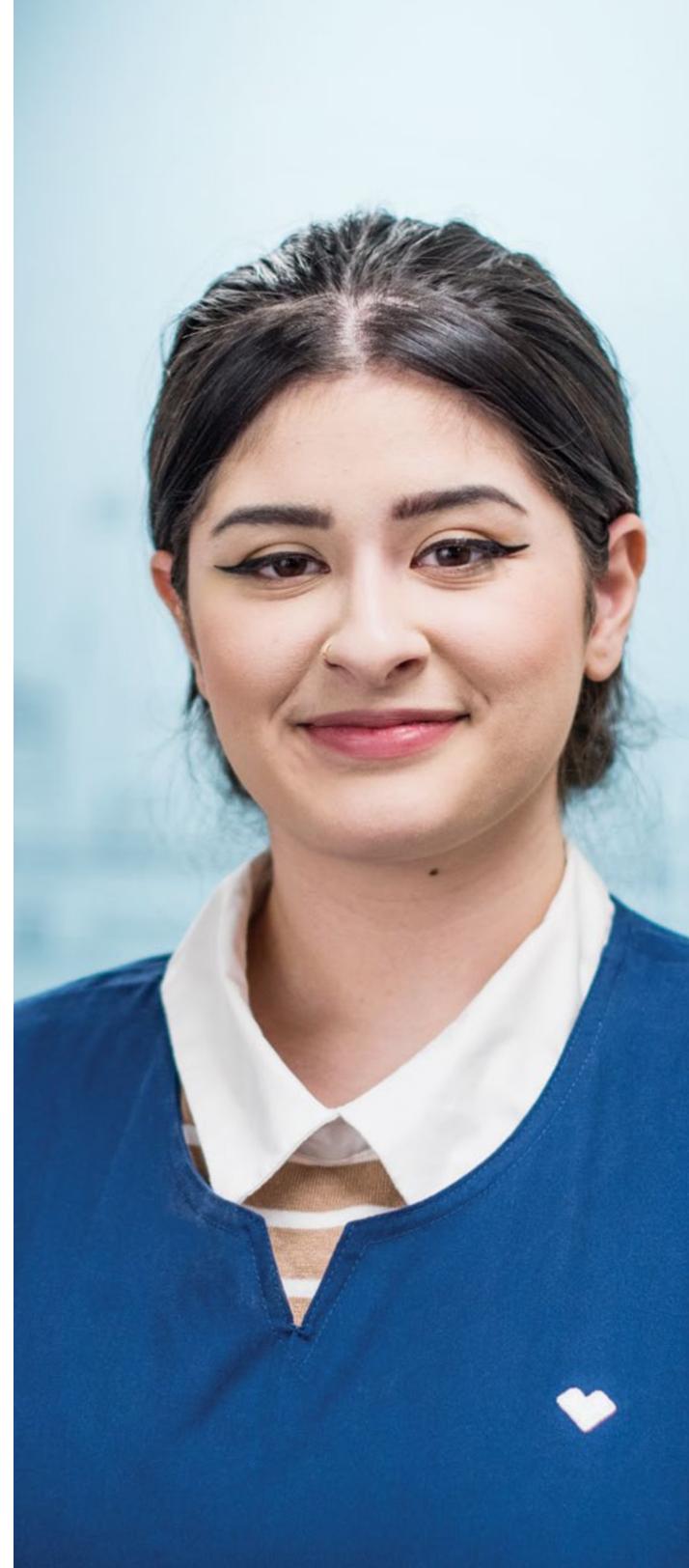
When her daughter, Jahaira, was born, she took time off and was granted a request to transfer to a CVS Pharmacy closer to home. Her managers let her start working part-time and increased her hours as her daughter got older. "They were really understanding," she says. "I am able to see Jahaira at daycare on my breaks; she's just five minutes away."

Now, Arteaga's income helps support not only her and her daughter but also her father and little brother. And she has big plans: earning a national pharmacy technician license, going back to school to become a pharmacist or a psychologist, and maybe even writing a book. Whatever she does, she'll have her job at

CVS Pharmacy as a strong foundation. "This is steady," she says. "I can support my family and I couldn't be more grateful to have had this program and the opportunities it has brought me."

"The young mothers we have met through Roca are passionate, hard-working and eager-to-succeed prospective employees," DaSilva says. "The young women who completed the program shared personal experiences that help to shape CVS Health's story."

"With growth comes new markets, new pharmacies and, of course, new employees," adds David Casey, Vice President of Workforce Strategies and Chief Diversity Officer for CVS Health. "To find the best employees, CVS Health doesn't limit itself to traditional talent sources. Instead, a set of programs and community partnerships brings in talented workers from previously untapped pools to the world of pharmacy."



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## Colleague Diversity

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It is our goal to ensure that the diversity of our colleagues reflects the diversity of our customers and the communities we serve. Hiring and retaining a diverse workforce is just one more way that we get to know our communities and our communities get to know us.

We take a strategic approach to diversity management that covers every aspect of our business. We embed Strategic Diversity Management (SDM) into our hiring at all levels, our culture, our talent development, and our everyday interactions with our diverse customer base.

Promoting colleague diversity requires a continuous process of education throughout our organization, which is why some of our most notable initiatives in 2016 involved training. For example, we added mandatory training for our managers designed to increase our hiring and retention of former and current uniformed service members.

The new mandatory training instructs managers on how to read a military service resume, how to interview military candidates, and how to retain colleagues with military experience. Optional topics include post-traumatic stress disorder, disability accommodation and career growth.

We've added additional trainings and guidelines aimed at promoting diversity, such as:

- Transgender guidelines for managers and colleagues
- Three courses on the role of unconscious bias in hindering inclusion efforts

In a related effort, we partnered with the Human Rights Campaign to produce national best-practice guidelines for pharmacists serving the LGBTQ community.

CVS Health earned a place on DiversityInc's 2017 Top 50 Companies for Diversity list for the first time after several years of working its way up on the 25 Noteworthy list. CVS Health moved onto the list this year due in large part to a greater focus on diverse supplier spending which surpassed \$1 billion in 2016. Additionally, the company significantly outperformed in recruiting at the management level for African Americans, Hispanics and women, compared to top 10 DiversityInc companies, and increased colleague participation in the company's Employee Resource Groups by 20 percent, both of which contributed to CVS Health's diversity profile.

"We know from experience that diversity makes CVS Health a better company, and we are very proud of this extraordinary achievement," said CVS Health President and Chief Executive Officer Larry Merlo. "As a company reinventing health care, we are strongly committed to promoting a diverse workforce and inclusive culture, both of which are keys to producing innovative solutions that improve patient care and health care delivery and sustain top performance for our customers, colleagues and shareholders."

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## Recognition for our diversity efforts

### Human Rights Campaign Corporate Equality Index 100%

Third consecutive year  
*LGBTQ-related policies and practices*

### Disability Equality Index 90 out of 100

Second consecutive year  
*Disability inclusion policies and practices*

### DiversityInc's 2017 Top 50 Companies for Diversity



# 6,253

colleagues in 43 states participated in Colleague Resource Groups (CRGs)



# 23%

of those colleagues participated in more than one CRG



# 2.6K+

hours contributed by CRG members to community initiatives



# 41

regional CRG chapters are active

### Attracting and Retaining a Diverse Workforce

We enter into hundreds of collaborations with diversity organizations to reach and attract diverse candidates from across the country.

- **Mature workers** In 2016, we hired more than 48,000 individuals over 50 years of age. Our Talent is Ageless program partners with national and community-based organizations that provide employment and health promotion programs for older adults.
- **Military** In 2016, we hired nearly 55,000 former and current uniformed service members.
- **Disabilities** Our Abilities in Abundance program partners with training, work experience and recruitment programs to fulfill our commitment to disability inclusion.

Please see the [Index](#) for more details on our programs to reach these groups.

### Diversity of Senior Leadership

We continue to work on increasing the diversity of our senior leadership. In 2016, we adopted a policy that at least one finalist for all positions at the senior director level and above will come from a diverse background.

Please see the [Index](#) for statistics relating to our workforce diversity, including at the management level. Also please see the [Index](#) for information on the objectives and oversight of our strategic diversity management efforts.

### Strengthening Diversity Networks

Our Colleague Resource Groups (CRGs) are networks that offer colleagues the opportunity to share or support a particular affinity, culture or perspective. Our colleagues who participate in CRGs are more engaged in both the company and their jobs, and

we have established a target to increase participation in them to 10% of our workforce by 2025. Currently, 2.65% of our workforce participates in a CRG.

Engagement in CRGs continues to grow: In 2016, participation in CRGs grew 35%. In addition to expanding the CRGs across the enterprise, we launched a GreenTeam CRG for colleagues interested in advancing environmental sustainability initiatives (see also [Engaging Colleagues and Peers](#)). We also launched a FAITH CRG, focused on building awareness and educating colleagues about religious diversity in the workplace and supporting faith-based partnership opportunities that advance the enterprise's growth initiatives. At the end of 2016, the total number of national CRGs was 14.

Beyond acting as venues for supporting their members, our CRGs play a vital role in supporting our business. Here are just a few examples:

- Valor, our CRG supporting veterans and active duty military members, assisted with our pioneering partnership with the Veterans Affairs Health Care System to offer urgent care services to veterans through MinuteClinic (see [Expanding Our Reach Through MinuteClinic](#)). The group provided invaluable perspective on veterans' experience with health care.
- The Portuguese and Latino Employee Group (PLEG) advised on the integration of our Navarro pharmacy chain, acquired in September 2014, which serves the Hispanic community in South Florida.
- PRIDE, our LGBTQA (LGBT and Allies) CRG, assisted with the development of our new Transgender Workplace Transition guidelines.

Our CRGs support our strategic diversity management objectives as described in the [Index](#).

### **Diversity Leadership Teams**

Diversity Leadership Teams (DLTs) are cross-functional, inclusive groups of all or most management roles within a given business unit or retail area assembled to drive growth and innovation by utilizing a Strategic Diversity Management (SDM) business process. These volunteer organizations collaborate to build and leverage a diverse workforce that achieves superior business results.

With the goal of becoming subject matter experts in diversity management, our DLT colleagues are empowered to make quality decisions based on requirements, maintain an inclusive culture fostering creativity and innovation, build strategic action plans that deliver measurable outcomes and promote engagement by giving everyone a voice in the pursuit of business objectives.

In 2016, CVS Health sponsored 12 DLTs covering retail areas, distribution centers and pharmacy services. Each team established annual goals that aligned with enterprise imperatives, business priorities and the four SDM objectives: workforce representation, colleague engagement, talent systems and marketplace diversity. Team efforts focused on recruitment of diverse talent, multicultural beauty product sales, growing pharmacy share with language services, leadership development programming and cultural education. Similar to CRG members, colleagues who join our DLTs also tend to be some of the most engaged leaders at CVS Health.





## Regulatory Compliance and Voluntary Standards Are Met or Exceeded

We take the concerns and requests from our stakeholders into careful consideration when creating policies and standards.

Our stakeholders include shareholders seeking a better understanding of their investment, regulators concerned with the environment or worker safety, and patients concerned about privacy. We recognize that it is important for a company of our size and scale to establish sound governance policies, operate with integrity, and provide transparency on business practices.

In 2016, we adopted a new proxy access bylaw to empower shareholders; we upgraded our monitoring of environmental and safety performance; and we strengthened our IT security infrastructure and training, among other compliance-related measures.

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## Transparency Around Corporate Policies and Practices

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

### Ensuring Board-Level Accountability

Our [Corporate Governance Guidelines](#) cover topics including Board independence, structure and compensation. For more details about the Board and Board diversity, see our [Index](#).

### Engaging with Shareholders

CVS Health views the shareholder proposal process as an important avenue for shareholders to raise material concerns relating to environmental, social and governance issues. When a shareholder proposal is submitted, we typically reach out to the filing parties to better understand and address their concerns. As a result we are often able to resolve the concerns and the proposal is subsequently withdrawn.

In connection with the 2016 proxy season, the Board of Directors received a shareholder proposal requesting the company amend its bylaws on proxy access. In January 2016, we adopted a proxy access bylaw which allows a shareholder (or a group of up to 20 shareholders) who has owned at least three percent of our shares for at least three years to nominate a candidate for election to the Board, under certain circumstances. As a result of this action, the proponent withdrew its proposal.

Two other proposals were voted on by shareholders at the 2016 Annual Meeting. A proposal relating to disclosure of executive and colleague pay received 6.9% of the vote in favor and was not adopted. A proposal requesting a report on the alignment of corporate values and political contributions received 5.6% of the vote in favor and was not adopted. For more details on these proposals and our proxy access bylaw, see our [2016 Proxy Statement](#).

In response to another 2016 stockholder proposal, we agreed to specify on our website which contributions go to entities organized under Section 501(c)(4) and Section 527 as defined under the Internal Revenue Code. For more details, see the [Index](#), “Transparency Regarding Political Donations.” Other 2016 shareholder proposals were either withdrawn or excluded by the Securities and Exchange Commission.

Each fall, we reach out to our top 50 shareholders, accounting for about 50% of our outstanding common stock, and offer to discuss compensation, corporate governance and other matters of interest. A number of significant changes have resulted from our shareholder engagement efforts. For example, starting in 2016, we began shifting our Long Term Incentive Plan awards for senior executives from 50% cash and 50% common stock to 100% common stock (which must be held for at least two years after the award is granted) to bring our practices into better alignment with the marketplace. For more details regarding steps taken in response to shareholder engagement, see our [Proxy Statements](#).

### Participating in the Political Process

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

Please see the [Index](#) for further discussion of our public policy and political activities, including governance and oversight, lobbying, political donations and political action.



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## Compliance Policies and Practices

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Our industry faces a large and ever-changing compliance landscape, so we're always looking for ways to harness new technology to help colleagues stay abreast of regulations and address them fully.

### Using Technology to Address Compliance

For example, in 2016, we revamped our quarterly compliance training of all colleagues (which primarily occurs online) to be better customized to the needs of the colleague. Colleagues are tested on the information they know or remember so the training focuses on new information or knowledge gaps. This approach makes better use of colleagues' time and facilitates retention of the most important new information.

Also in 2016 we launched a regulatory tracking system for environmental and safety compliance management. The tracking system helps us look for patterns and trends, identify areas of concern, and benchmark against peers. It also helps us to identify and prioritize projects for improving our compliance practices.

We have launched a new environmental health and safety documentation portal for use by our store colleagues. This online portal contains all documentation our store colleagues need to comply with our environmental and safety management programs. Colleagues receive a daily feed that is customized at the store level.

We believe these investments will make compliance information more accessible throughout the enterprise and improve our compliance performance over time.



### Adapting Our Compliance Regime

Our Compliance and Integrity Program is always adapting to change. In 2016, we integrated our Omnicare long-term pharmacy care and specialty pharmacy operations and the pharmacies and clinics in Target stores, both of which had been acquired in 2015, into the program in an effort to help ensure compliance across the enterprise with relevant laws and regulations.

We also implemented measures to ensure personal health information is protected by all relevant colleagues and systems before the launch of our new Curbside pick-up program. The program allows customers to order online and have the order brought to their vehicle when they arrive at the CVS Pharmacy location.

### Spreading the Message about Compliance

In 2016, we enhanced our compliance communications plan to reinforce tailored messages to raise awareness of role-specific compliance obligations. For example, we are able to provide compliance messaging when a cashier activates a point-of-sale device and deliver compliance messages to in-store computer tablets used routinely by front-store colleagues. We also use email, e-newsletters and MyLife, our internal colleague communication portal.

Each colleague is expected to complete an annual training on our [Code of Conduct](#), usually provided online. In 2016, 99.4% of non-store colleagues and 97.8% of in-store colleagues received the training. Colleagues who do not complete the training are

reminded via online channels and by their supervisors; colleagues who do not complete the training after being reminded are locked out of their online accounts until they complete the course.

### Enhancing Our Information Security

Each day, millions of customers and patients entrust us with sensitive and private information. The daily functioning of our company depends on our ability to maintain the integrity, availability and confidentiality of that information. Our information security program encompasses the technical tools, the administrative processes and trainings, and the physical infrastructure required to maintain the trust of all our stakeholders.

### Upgrading Technical Measures

In 2016, we completed a two-year program at CVS Caremark, our pharmacy benefit management business, to encrypt sensitive personal information “at rest.” Encryption helps to prevent data from being read, even if it is accessed by unauthorized means. Data “at rest” is data that is stored in servers or other physical media. Encryption is more commonly applied to data in transit, but encryption of data at rest promotes increased security.

We continue to make enhancements to our web proxy and also extended additional controls to Omnicare data as we integrated that acquisition.

### Improving Security Awareness

Criminals are growing increasingly sophisticated in their tactics to deceive others into divulging confidential

information both online and offline. In 2015, we launched a mandatory Information Security Awareness curriculum for all colleagues and Social Engineering Detection training for colleagues in store operations. In 2016, we expanded that training to our entire workforce. We reinforce the training by recognizing the exemplary efforts of colleagues. For example, two store employees in Tennessee recently received Breakthrough Awards by recognizing illegitimate information requests by phone and in person.

In 2016, we implemented and enhanced a company-wide program in which we sent simulated “phishing” emails to colleagues in order to help them spot, resist and report phishing attempts. Our emails reflected the increasing sophistication of such attempts. The program included senior executives, as more hackers are targeting organizations at the top.

In October, we hosted our second annual Information Security Conference, in which experts discussed how to keep safe at work and at home. Colleagues who couldn’t attend at our headquarters could access all presentations online.

Please see our [Index](#) for more about our information security program, including our privacy and security awareness trainings and third-party risk assessment program. Please also see the [Index](#) for other information about our oversight and implementation of our compliance policies and practices.



## Supply Chain Responsibility

Our efforts in supply chain responsibility are reflective of our company values. We leverage the size and scale of our business to create economic opportunities and respect for human rights in our supply chain and in the communities we serve. We are also committed to ensuring that our business is conducted ethically and that our suppliers conduct their business ethically as well.

We are signaling to our partners the importance of leading with heart. In 2016, we published a [Human Rights Policy](#) that formalizes practices within our workplace and expectations throughout our supply chain. We also achieved our goal of spending \$1 billion — or 10% of our total spend — on diverse Tier I suppliers. We also address human rights compliance and diversity among our suppliers' subcontractors.

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## Human Rights and Supplier Compliance

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Respect for human rights has long been incorporated in our workplace and vendor policies and practices. In 2015, we engaged Business for Social Responsibility, a global nonprofit organization with a network of more than 250 member companies, to help us undergo a human rights impact assessment and develop a formal human rights policy that integrated and enhanced our existing policies.

### Our Human Rights Policy

Published at the end of 2016, our [Human Rights Policy](#) is broad in scope, encompassing our company and subsidiaries, the Board of Directors and all colleagues. It also applies to business partners, vendors and partners across our supply chain.

The policy aligns with the United Nations Guiding Principles on Business and Human Rights, a global standard for addressing and preventing adverse impacts on human rights linked to business activity. It states our commitment to respecting and supporting internationally recognized human rights, including fundamental labor principles.

Based on the impact assessment, we focused our policy on colleagues, on patients and customers, and on workers in our supply chain. Implementation of the policy is primarily through existing workplace policies and practices, including our:

- [Code of Conduct](#)
- [Vendor Code of Conduct](#)
- [Equal Opportunity Statement](#)
- [Employee and Consumer Nondiscrimination Commitments](#)
- [Pharmacy Patient Commitments](#)
- [MinuteClinic Notice of Patient Rights](#)

The Human Rights Policy describes how we intend to prevent and address adverse human rights impacts and refers to our channels for reporting concerns. Upon completion of the policy, we developed a target around implementation with all colleagues:

- Achieve acknowledgment of Human Rights Policy by 100% of colleagues by 2019



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**The fundamental labor principles described in our new Human Rights Policy and related policies include the prohibition of child labor, the prohibition of forced labor in all forms, freedom of association and the right to collective bargaining, and protection from discrimination.**

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**Our Human Rights Policy aligns with the United Nations Guiding Principles on Business and Human Rights, a global standard for addressing and preventing adverse impacts on human rights linked to business activity. It states our commitment to respecting and supporting internationally recognized human rights, including fundamental labor principles.**



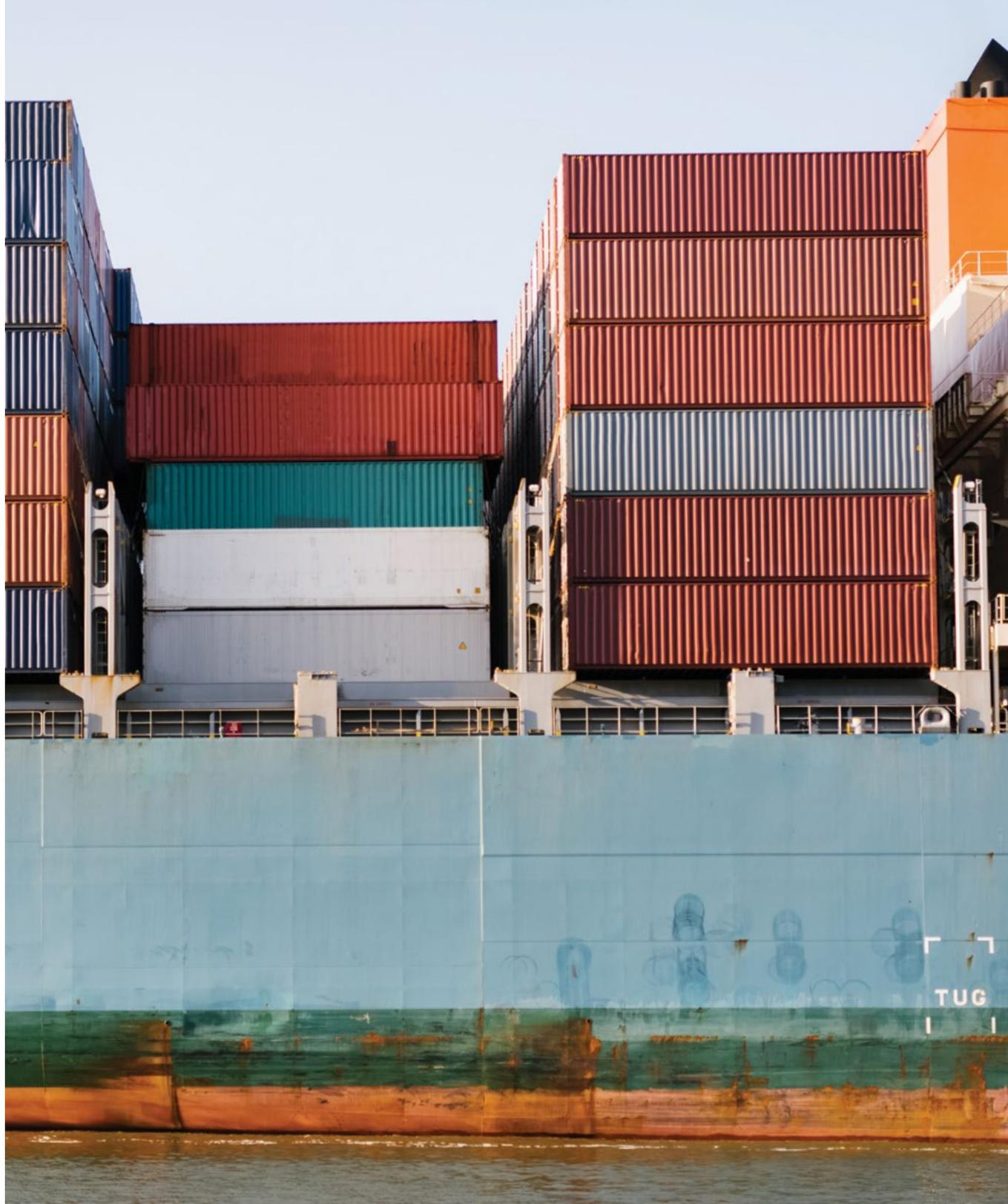
### Monitoring Our Global Suppliers

We monitor compliance with our Vendor Code of Conduct through risk-based audits conducted by our independent third party reviewer, UL, and other third parties. We audit all store brand and select non-saleable merchandise, including uniforms and bags, supplier factories outside of the U.S. and Canada who also undergo a human-rights screening. Starting in 2015, we also began assessing certain subcontractors based on their risk profile. This includes subcontractors involved in the production of finished products and packaging.

We have a zero-tolerance policy for issues found in eight social classifications: child labor, attempted bribery, forced labor, abuse and harassment, locked/blocked exits, falsified documents, falsified audit reports or business license, and intentional nondisclosure of finished goods subcontracting. For factories with a zero-tolerance failure, we will take action up to and including canceling all orders and placing the factory on probation for one year.

In 2016, we performed initial and follow-up assessments on 796 factories and discovered 53 zero-tolerance incidents. This number reflects the strictness of our supplier audits, because we take a zero-tolerance approach to many types of incidents. In most cases, orders were canceled or put on hold.

CVS Health also utilizes UL's Facility Security Tool to maintain our Customs-Trade Partnership Against Terrorism certification status with U.S. Customs and Border Protection. In 2016 we performed these audits on 100% of foreign factories that produce direct import products.





# A Leg Up for Diverse Suppliers

Margi McGrath and her team at Universal Printing

**“I think the fact that I came in as a woman with a collaborative approach has helped to create a positive culture.”**

Margi McGrath was pleasantly surprised during a CVS Health supplier diversity presentation day in 2014 when CVS Health executives gave her nearly two hours to present her firm’s capabilities and discuss her plans. “Our presentation can’t be done in 15 minutes,” says McGrath, owner of Universal Printing Company in Dunmore, Pennsylvania. “It was the first time in our company’s history that we’ve gone to a company the size of CVS Health and been treated as partners at the table.”

The meeting gave McGrath the confidence to buy an expensive, sophisticated printing press and to undertake a robust certification process to prepare the company to be a successful CVS Health partner. CVS Health executives advised her on the press as well as the certification process. “A lot of companies go to supplier diversity fairs, have a booth and make promises,” McGrath says. “CVS Health truly invests in mentoring and fostering relationships with diverse suppliers.”

## A Leg Up for Diverse Suppliers

In 2016, CVS Health awarded McGrath and Universal Printing Company a Ruby Award. The award recognizes suppliers who demonstrate exemplary performance, industry leadership, business success, economic impact, community involvement and a strong commitment to the company's purpose and values.

McGrath, a mother of four, had been a writer and editor before buying the small printing business in 1995 and rapidly shifting it toward the growing health care market. For CVS Health, Universal Printing Company processes, prints and fulfills materials for members and providers, and also marketing materials.

The work requires teams with diverse skills to achieve

quick turnarounds while maintaining high levels of precision and quality. McGrath believes that being a woman has helped her develop the leadership skills needed to manage such challenging projects.

"The importance of the human element is what I've tried to stress," she says. "I think the fact that I came in as a woman with a collaborative approach has helped to create a positive culture."

With support from CVS Health, Universal is hiring and investing in yet another sophisticated press. "We're in it for the long haul," McGrath says. "The true intent of CVS Health is to help diverse suppliers get a leg up, and that's exactly what happened here."



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## Supplier Diversity

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CVS Health is committed to creating jobs and increasing economic opportunities for the people and local businesses in the communities we serve. Sourcing from diverse, women-owned and small businesses broadens the range of goods and services we can offer and demonstrates how we are leading with heart. In 2016, we reached a key supplier spend goal and expanded our supplier outreach efforts.

In 2016, we achieved our goal of spending \$1 billion, or 10 percent of our spend, by 2017. In early 2017, we became one of 26 U.S.-based companies named to the [Billion Dollar Roundtable](#), an organization that recognizes and supports corporations that reach the \$1 billion spend mark.

Our supplier diversity effort starts with a commitment at the top of the organization. The compensation of senior leaders, including the vice president of procurement, is directly tied to successful supplier diversity results. Starting in 2016, we also gave each not-for-resale procurement professional measurable supplier diversity goals.

Another factor in reaching our \$1 billion goal was our 2015 acquisition of long-term pharmacy services provider Omnicare, which already had a strong record of working with women-owned and diverse suppliers. In addition, we completed our outreach to our existing suppliers, including merchandisers and independent pharmacy suppliers, about their diversity ownership status. We discovered that some of these suppliers were diverse, but had not gone through the certification

process required to have them recognized as such by our supplier diversity program, which we are working with them to complete.

### Identifying New Partners

We expand our diverse supplier networks by hosting and attending local and national events. In 2016, we attended 11 such events sponsored by organizations such as DiversityInc and the Women's Business Enterprise National Council.

We also held four successful construction business building events in areas where we are planning to build or remodel stores. These events help to embed diversity into our business practices and send a message to local communities that we want to be a good neighbor and a source of economic opportunity.

During these events we met with more than 50 local suppliers. About two-thirds were ranked as well-qualified to do business with us, and as of early 2017 nearly ten are in our pre-qualification process. We plan on hosting another four events in 2017.

Diverse suppliers can register through our [online portal](#) for not-for-resale sourcing and procurement opportunities. In 2016, more than 1,200 certified diverse suppliers registered through the online portal, a 36% increase over 2015. We are currently doing business with more than 3,000 diverse suppliers including small businesses across all our business units.

Last year, we also produced a new landing page on this portal to educate suppliers about the qualification process and supplier standards. We also produced a video highlighting the importance of supplier registration.

### Partnering for Success

In November 2015, we hosted an event, "Partnering for Success," seeking diverse suppliers in categories such as Finance, Legal, IT and Merchandising. The event included workshops and opportunities for one-on-one meetings with CVS Health decision makers.

The event quickly yielded opportunities for suppliers. Of the 164 who attended, we identified 51 as having a high probability of doing business with us in the future.

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# Beyond the Spend: Economic Impact of Supplier Diversity Spending

**\$2B**

**Purchases from more than 3,200 small and diverse suppliers in 2016**

These purchases supported a \$5.1 billion contribution to the U.S. economy, including:

- \$1.7 billion: benefit to suppliers' employees
- \$1.4 billion: employment supported in suppliers' supply chains
- \$1.7 billion: spending in local communities

**32K+**

**U.S. jobs sustained, including:**

- 13,892 jobs at suppliers
- 7,253 jobs supported at suppliers' suppliers
- 11,194 additional jobs supported in communities
- 2,136 of these jobs were at suppliers in high-poverty neighborhoods

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## Recognitions for Supplier Diversity, 2016

- **Women's Business Enterprise National Council, Silver Distinction, America's Top Corporations for Women's Business Enterprises**
- **National Business Inclusion Consortium, Best-of-the-Best Top 30 Corporations for Inclusion**
- **DiversityBusiness.com, America's Top 50 Organizations for Multicultural Business**
- ***Boston Business Journal*, Corporation of the Year in Supplier Diversity**

Nearly a third of those businesses decided to seek qualification as suppliers. By the end of 2016, we had purchased \$2.4 million from five of the suppliers we met at the event. An additional four suppliers are in the final stages of qualification.

### Building Supplier Capacity

In 2016, we enhanced our Executive Learning Series for Diverse Suppliers, which builds leadership skills for securing contracts with large businesses. We increased enrollment from 10 to 15 business leaders in the program, which offers 160 hours of training in areas including management, technology, finance and human resources. The program is sponsored by CVS Health in partnership with Roger Williams University.

### Supplier Diversity Goals for 2017

We're continuing to deepen our diversity commitment by addressing Tier II suppliers, who are the subcontractors to our Tier I (large-spend) suppliers. We already require all vendors to commit to supplier diversity and to report on the identity of their subcontractors.

Starting in 2017, Tier I suppliers will be given diverse supplier spending goals. Failure to achieve these goals can lead to penalties up to termination of their contract. We will assist Tier I suppliers in expanding their diverse supplier base by assisting with introductions to diverse Tier II suppliers, among other measures.

We're also planning a five-year project to improve our diversity spend with black-owned business, which has lagged behind our spend on other diverse businesses. We're exploring options such as hosting specialized sourcing events and developing training in conjunction with historically black colleges or universities.



**Health is everything.<sup>TM</sup>**