



Prescription for a Better World

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“We will continue to align our CSR goals with CVS Health’s leading position at the heart of health care delivery in the United States.”

Dear Stakeholders:

At CVS Health®, we serve as the front door to health care — touching the lives of one in three Americans — with a presence in thousands of communities across the country. We are playing an active role in providing more affordable, accessible and effective care, and our corporate social responsibility (CSR) strategy supports these efforts. It also helps to ensure that we deliver on our purpose of helping people on their path to better health, leveraging our reach and unparalleled expertise to deliver better health outcomes, at a lower cost. In this, our 11th annual CSR Report, we’re pleased to update you on our efforts across the three pillars of our *Prescription for a Better World* framework: *Health in Action*, *Planet in Balance* and *Leader in Growth*.

The opioid epidemic has become one of the greatest public health threats facing our country, and a central focus of our work over the past year has been providing solutions to combat prescription drug abuse. We have long been a leader in lobbying for easier access to naloxone, the medication that rapidly reverses opioid overdose, and in 2017 we announced enterprise initiatives that demonstrate the role the private sector can play to address this crisis. Our enhanced opioid utilization management program now limits the supply of opioids dispensed for certain acute prescriptions for patients who are new to therapy to seven days. It also limits, based on the strength of the opioid, the daily dosage of opioids dispensed and requires the use of immediate-release formulations of opioids before extended-release opioids are dispensed. We identified

these actions as among the most meaningful we can take, with the potential to impact some of the 94 million members of our pharmacy benefit manager.

As part of our continued work to reduce our environmental impacts, we have developed a new emissions reduction target and submitted it to the Science Based Targets initiative. Once that target is approved, CVS Health will join more than 300 companies worldwide that have established reduction targets in line with climate science. We were also proud to become a signatory to the United Nations Global Compact, the world’s largest corporate sustainability initiative.

Throughout 2017, we strengthened our commitment to military veterans. In order to provide veterans access to affordable health care services, MinuteClinic® developed partnerships with the Veterans Health Administration in overburdened markets. We are helping veterans and their families transition from military life to meaningful private sector civilian careers with the opening of our Talent Connect Center in Fort Bragg, NC.

Promoting a diverse workforce and inclusive culture remains a top priority as we compete to attract and retain the best health care professionals in the industry. We are proud to have earned a place on DiversityInc’s Top 50 Companies for Diversity list for the first time in 2017. As we work to develop the next generation of health care professionals, we expanded our apprenticeship program with a goal of hiring 5,000

apprentices by 2022 for career tracks in retail pharmacy, prescription benefit management, and retail store management. Registered apprenticeships help close the skills gap in the U.S. by providing participants with structured training and giving them a nationally recognized credential to advance their careers.

On the pages that follow, you can learn more about our work and how it underscores our commitment to our customers, communities, colleagues and all stakeholders. We are excited to continue to diversify our portfolio and redefine health care through our pending Aetna® acquisition. This merger will allow us to enhance our offerings of high-quality, low-cost, integrated care for customers, clients and patients in the communities we serve. Looking ahead, we will continue to align our CSR goals with CVS Health’s leading position at the heart of health care delivery in the U.S.

Sincerely,



Larry J. Merlo
President and Chief Executive Officer

“We remain committed, across all of our business units, to providing all Americans with affordable, accessible and quality care.”

Dear Stakeholders,

Thank you for taking the time to review our 2017 Corporate Social Responsibility Report, *Prescription for a Better World*. As a pharmacy innovation company positioned to shape the future of health care, we remain committed, across all of our business units, to providing all Americans with affordable, accessible and quality care.

It's this unwavering commitment to fulfilling our purpose — helping people on their path to better health — that drives everything we do. It's why we've put a stake in the ground in the fight against our nation's opioid abuse epidemic with enterprise initiatives aimed at supporting safe drug disposal, utilization management of pain medications, and funding for treatment and recovery programs. It's why we've doubled down on our commitment to help people lead tobacco-free lives. It's why we've continued to provide millions of dollars in charitable support to free clinics and community health centers — the organizations reaching our nation's most vulnerable populations with the care that they need.

Our commitment to health also extends to our CSR initiatives focused on the environment, our workplace and local communities. We know the health of our

planet has a direct impact on human health, which is why we worked hard to establish an emissions reduction target in line with climate science. We know the health of our employees is about more than just their physical well-being, which is why we've adopted a holistic approach to supporting their financial and mental health, professional growth and happiness. And we know the health of the communities we serve is dependent upon our leadership as a responsible employer and corporate citizen, which is why we've continued to expand our workforce development programs.

With our purpose at its center, our CSR strategy continued to evolve and grow in 2017. A robust materiality assessment helped us further distill the most important topics our strategy and reporting must address. We were thoughtful and determined in how we generated impact by leveraging our size, scale and expertise. We also enlisted the support of countless partners to help us achieve our goals.

Our colleagues' investment in the success of our CSR strategy has driven our ability to progress against the 20 measurable, multi-year targets we've worked to establish over the past several years. It has also allowed us to engage more of our colleagues from all

areas of the enterprise in both the reporting process and strategy work.

External stakeholders were equally important to our success in 2017, pushing us to improve in areas ranging from the ingredients in the products we sell and the procurement decisions we make, to the diversity of our workforce and our advocacy on issues important to our business. We're proud of the work we've done to establish a two-way dialogue with advocates, policymakers, investors, customers and patients.

As a reader of this Report, you are critical to our success and continued growth. Thank you again for joining us on our CSR journey. We look forward to your feedback.

Sincerely,



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

Corporate Profile

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

Through our more than 9,800 retail locations, more than 1,100 walk-in medical clinics, a leading pharmacy benefits manager with more than 94 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. This unique integrated model increases access to quality care, delivers better health outcomes and lowers overall health care costs.

Our Operations and Supply Chain



Headquarters
Woonsocket, RI



More than 240,000 colleagues in 50 U.S. states, the District of Columbia, Puerto Rico and Brazil.

Our Operations and Supply Chain



9.8K+

retail pharmacies

1.1K+

walk-in medical clinic (MinuteClinic) locations in 33 states and the District of Columbia

23

specialty pharmacy stores

18

specialty mail order pharmacies

83

branches for infusion and enteral services, including 73 ambulatory infusion suites and three centers of excellence

Front-of-Store Revenues



23.1%

sales from store and proprietary brands

76.9%

sales from national brands manufactured by third-party suppliers

2017 Growth

175

new and acquired retail stores

15

new clinics

2017 Financial Results and Economic Impact

Our employees earned

\$10.7B

in wages

\$1.8B

in benefits

\$9.5B

Operating profit

\$184.8B

revenues

\$6.45

Diluted earnings per share
from continuing operations



Payments

\$3.1B

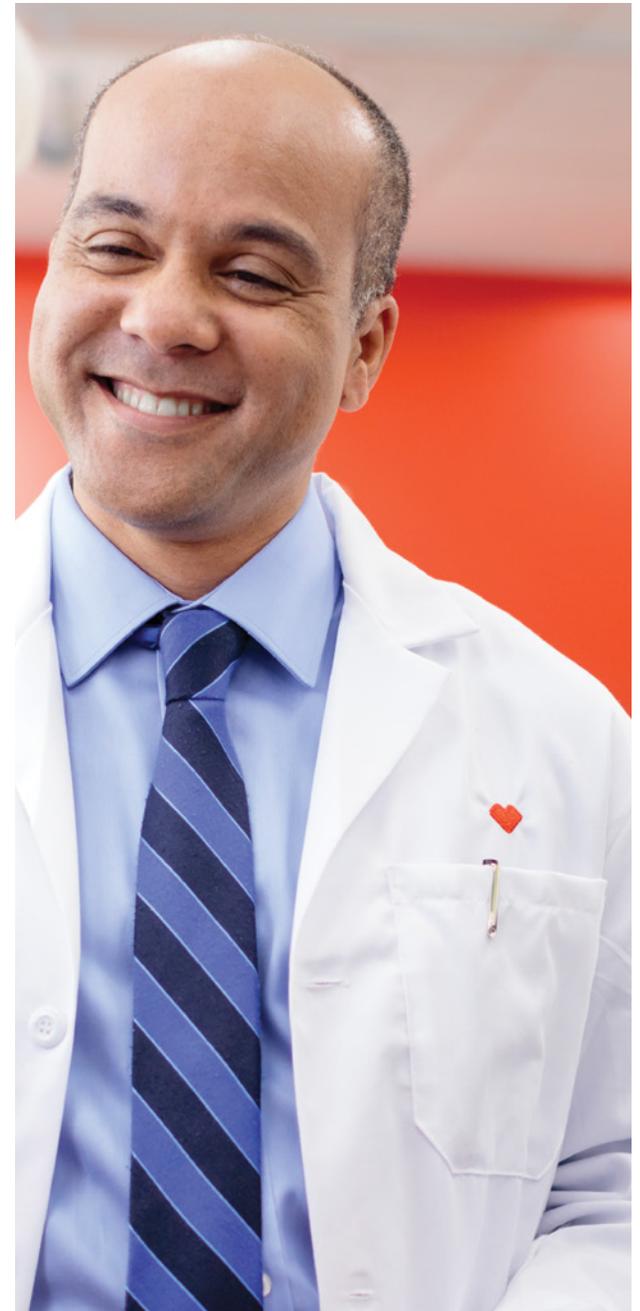
to providers of capital

\$4.2B

in income, property
and employer taxes
in the U.S.

\$100M+

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





CSR Strategy

At CVS Health, everything we do starts with our purpose: helping people on their path to better health. Our *Prescription for a Better World* framework ensures that, as we fulfill this purpose, we are creating positive change in the communities we serve and growing our business.

Our most recent materiality assessment focuses on the topics that reflect our most significant economic, environmental, and social impacts, or that substantively influence the assessments and decisions of our stakeholders. We are committed to making quality health care more affordable and accessible, ensuring the health and well-being of our patients and customers, using resources efficiently, and operating our business with integrity. These priorities are represented in the three pillars that support our strategy: *Health in Action*, *Planet in Balance* and *Leader in Growth*.

To ensure accountability for delivering on our strategy, we have developed 20 measurable, multi-year performance targets across 16 goals. In this year's Report we have provided an update on how we are progressing against each.

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

Contributing to the Sustainable Development Goals

In 2017, we continued our work in support of the United Nations' [Sustainable Development Goals \(SDGs\)](#), 17 aspirational global goals that aim to make dramatic progress on development issues by 2030. We believe our CSR strategy and initiatives can have the greatest impact on the advancement of five of the 17 SDGs:

Goal 3: Good Health and Well-Being

Ensuring healthy lives and promoting well-being for all is at the core of our purpose, as well as the services we provide each day to our patients, customers and clients. Through innovation and our integrated model, we continue to make substantial strides in providing more accessible and affordable health care to more Americans. In 2017, we delivered more than \$6.4 million worth of free health screening services through our own Project Health, and provided more than \$100 million in investments, gifts in-kind, colleague engagement, fundraising and other charitable support aimed at improving health in communities around the country. Today more than 50 percent of the U.S. population lives within 10 miles of a MinuteClinic. Read more [here](#).

Goal 4: Quality Education

Providing equitable quality education is a commitment that comes to life in our communities, as well as within our organization. In 2017, our youth education programs reached more than 40,000 students; our colleague development initiatives provided new opportunities from retail to mid-level leadership; and we committed to hire 5,000 more Registered Apprentices by 2022. We also invested nearly \$1.5 million to advance the aspirations of students, including those studying to be pharmacists and nurse practitioners. Read more [here](#).

Goal 8: Decent Work and Economic Growth

In 2017, we hired more than 85,000 new colleagues

and paid \$10.7 billion in wages. We also continued to build awareness around our enterprise-wide human-rights policy. As our company continues to grow, we recognize the widespread impact our business decisions have on the economy and our local communities. Read more [here](#).

Goal 13: Climate Action

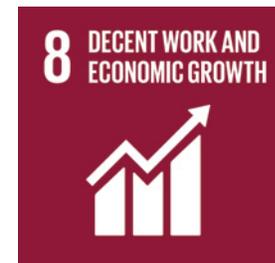
Our greatest opportunity to address our climate-related impacts is through reductions in greenhouse gas emissions. To ensure our actions are aligned with current climate science, in 2017 we worked to establish a science-based emissions reduction target. Read more [here](#).

Goal 15: Life on Land

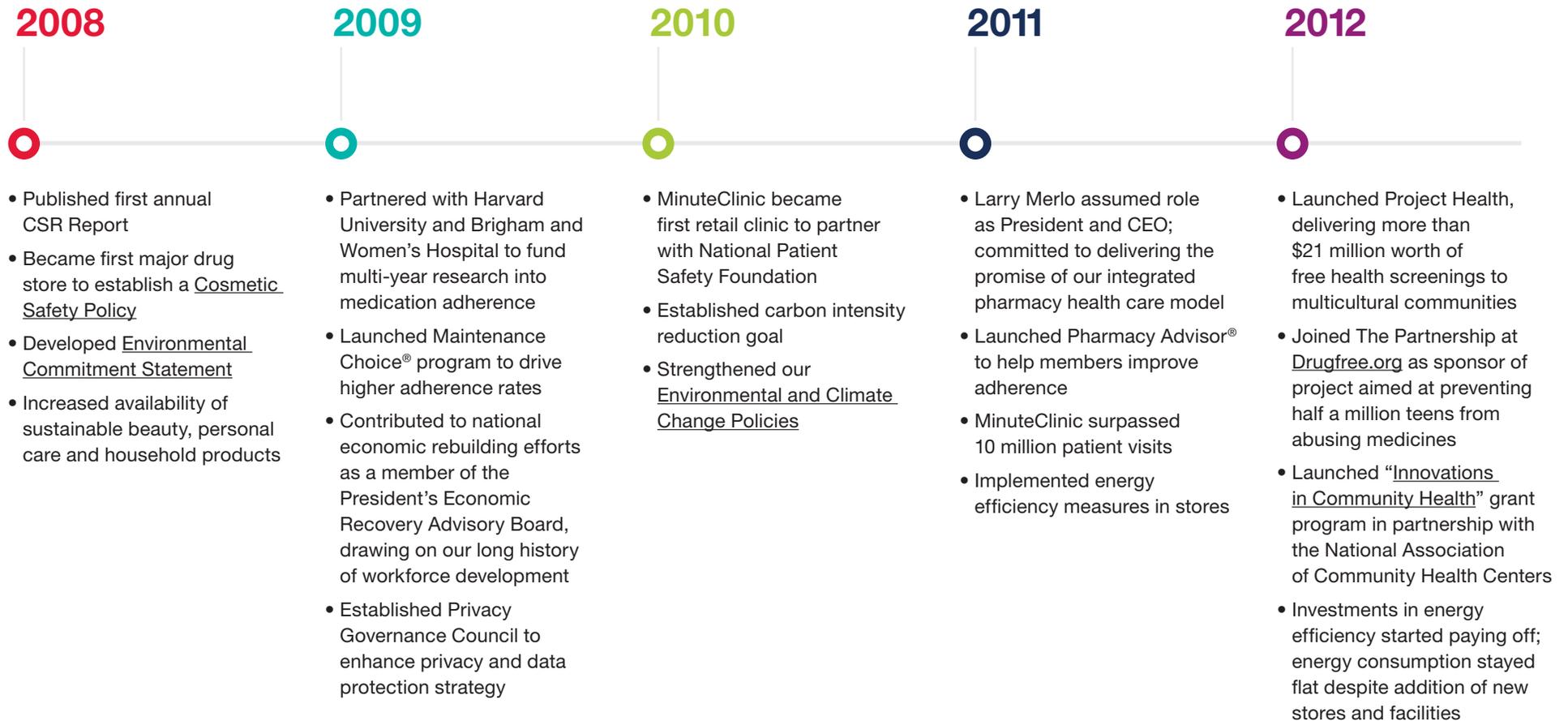
We have made meaningful progress against our two performance targets that contribute to more sustainable use of our resources. In 2017, 93 percent of the paper we used across the enterprise was sustainably sourced, and 31 percent of our store brand suppliers had either become members of the Roundtable on Sustainable Palm Oil or obtained Rainforest Alliance certification. Read more [here](#).

The SDGs also helped inform the establishment of new performance targets in 2017, which include expanding health care access for veterans and increasing our spending with diverse suppliers.

Finally, we acknowledge that a stronger commitment to partnership and cooperation is required in order to achieve the SDGs. To increase opportunities for collaboration, in 2018 we became a member of the United Nations Global Compact, confirming our commitment to implementing the Compact's ten principles with respect to human rights, labor, the environment and anti-corruption; engaging in partnerships to advance the broader goals of the United Nations; and taking action in support of the SDGs.



CSR Milestones Timeline



CSR Milestones Timeline

2013



- Launched partnerships with the National Association of Free and Charitable Clinics (NAFC) and the School-Based Health Alliance
- Revamped Gold Emblem® line, incorporating nutritional information on front of packaging
- Evaluated data on prescriptions filled at CVS Pharmacy® to identify and halt inappropriate prescribing of high risk drugs
- Opened first Leadership in Energy and Environmental Design (LEED) Platinum store
- Listed on Dow Jones Sustainability Index
- Expanded factory audit program to include factories located in high risk countries that produce regulated and non-regulated CVS® brand items

2014



- Eliminated tobacco sales in all stores, becoming the first major retail pharmacy to do so
- Announced corporate name change to CVS Health, reflecting broader health care commitment
- Launched proprietary Gold Emblem Abound® line of snacks with more than 40 wholesome items free from artificial flavors and preservatives
- Became title sponsor of American Lung Association LUNG FORCE® campaign focused on women's lung health
- Teamed up with The Partnership at Drugfree.org to launch community donation program for drug collection units
- Surpassed 20 million patient visits at MinuteClinic
- Expanded Project Health to 27 markets nationwide
- Partnered with other leading retailers, product and chemical manufacturers to develop common goals in sustainable chemical management
- Required social audits for all subcontracted factories outside of the U.S. and Canada that supply consumer-ready finished goods
- Launched multi-year partnership and in-store fundraising campaign with Stand Up to Cancer® to fund innovative cancer research
- Improved accessibility of information on our political activities and contributions
- Scored among first tier companies in the CPA-Zicklin Index of Corporate Political Disclosure and Accountability
- Achieved perfect score of 100% on the Human Rights Campaign Foundation's annual Corporate Equality Index (CEI)
- Began to provide health and other benefits to same sex partners of colleagues

2015



- Launched \$5 million five-year commitment to the Campaign for Tobacco-Free Kids
- Surpassed 25 million patient visits at MinuteClinic
- Acquired Omnicare®, significantly expanding ability to serve senior patient population
- Acquired Target's pharmacy and clinic businesses
- Launched Pharmacists Teach®, connecting CVS pharmacists to local high school students to discuss the dangers of prescription drug abuse
- Redesigned 450 stores to give healthy snacks more prominence
- Removed formaldehyde from CVS® brand baby products, and eliminated microbeads and triclosan from all CVS brand products
- Joined Roundtable on Sustainable Palm Oil
- Exceeded carbon intensity reduction goal three years ahead of schedule
- Committed to 100% cage-free eggs by 2025
- Pledged to source 100% of our paper stock from sustainable sources by 2020
- Established water reduction goal for newly constructed stores

CSR Milestones Timeline

2016



- Launched Be The First, a 5-year, \$50 million commitment to help create the next tobacco-free generation
 - As part of Be The First, began awarding grants to support U.S. colleges and universities in becoming tobacco-free
- Expanded assortment of healthier foods and beverages to more than 2,900 stores nationwide
- Made naloxone available without a prescription to patients in 31 states
- Committed to reach 750,000 individuals with pharmacist community outreach education by 2020
- Announced removal of parabens, phthalates and the most prevalent formaldehyde donors across nearly 600 beauty and personal care products
- Published restricted ingredients list
- Launched partnership with the Veterans Affairs Health Care System to offer urgent care services to veterans through MinuteClinic
- Published responsible palm oil sourcing policy; committed to sourcing all palm oil in our store brand products responsibly by 2020
- Conducted Human Rights Impact Assessment and published enterprise-wide Human Rights Policy

2017



- Announced plans to acquire Aetna
- Research showed our decision to remove tobacco reduced the number of cigarette purchases across all retail settings
- Became first national pharmacy to remove artificial trans fats from all exclusive store brand food products
- Reached goal of spending more than \$1 billion with diverse suppliers; became member of Billion Dollar Roundtable
- Implemented label claim substantiation policy
- Unveiled new store design with new assortment of healthier food and health-focused products
- Opened Talent Connect Center to serve the Fort Bragg, NC military community in transitioning from military life to private sector civilian careers
- Committed to hiring 5,000 new apprentices by 2022

2018



- Became member of the UN Global Compact
- Launched packaging review initiative
- Developed science-based emissions reduction target
- Increased starting wage rate of hourly employees to \$11 an hour
- Committed to absorbing increases in employee health insurance premiums for the 2018–2019 plan year
- Announced new paid parental leave program



CSR Governance

Our commitment to corporate social responsibility is central to our purpose of helping people on their path to better health. At CVS Health, CSR governance begins with our Board of Directors and President and CEO, Larry Merlo. The Board and Mr. Merlo ensure we operate responsibly and deliver on our purpose while executing our business strategy.

Our *Prescription for a Better World* CSR strategy and the tracking of performance against our roadmap is led by our Senior Vice President of Corporate Social Responsibility and Philanthropy, Eileen Howard Boone. She and her team regularly work with company leadership to align our strategy with key business imperatives and collaborate with colleagues throughout the company on specific programs and initiatives. We work with leaders across the enterprise responsible for ensuring our progress against each pillar of our CSR strategy to ensure it remains aligned with business objectives.

Senior managers with direct oversight of areas within our three CSR pillars are responsible for driving performance and meeting established performance targets. These managers are regularly engaged by the CSR team to provide progress updates and identify emerging risks and opportunities.

The Nominating and Corporate Governance Committee of our Board, pursuant to its charter, is formally charged with oversight of our CSR strategy and performance. Our Senior Vice President of Corporate Social Responsibility and Philanthropy regularly updates the Committee on CSR risks and opportunities, and the Committee provides feedback and direction on our approach to key issues. The Committee also reviews our annual CSR Report prior to publication.

CSR Material Topics

In 2017, we conducted a comprehensive materiality assessment to ensure we are addressing and reporting on topics that reflect our significant economic, environmental and social impacts, or that substantially influence the assessments and decisions of our stakeholders. The assessment was completed in

accordance with the Global Reporting Initiative (GRI) Standards' guidance for defining material topics and informs the content of this Report, as well as our continually evolving CSR strategy. More information on methodology and findings can be found in the [Appendix](#).



- Health in Action
- Planet in Balance
- Leader in Growth

- 1 Access to quality health care
- 2 Pricing of drugs and services
- 3 Patient and customer safety
- 4 Prescription drug abuse
- 5 Product quality and ingredients
- 6 Chronic disease prevention and management
- 7 Tobacco use
- 8 Community investments
- 9 Medication adherence
- 10 Public policy
- 11 Climate risks
- 12 Sustainable operations
- 13 Supply chain responsibility
- 14 Packaging
- 15 Ethics and compliance
- 16 Governance
- 17 Diversity and inclusion
- 18 Human rights
- 19 Data protection and privacy
- 20 Workforce development
- 21 Risk management
- 22 Wages and benefits
- 23 Employee health and safety



Stakeholder Engagement

The input from internal and external stakeholders is incredibly valuable to CVS Health, and critical to our understanding of emerging issues and our ability to address evolving needs and concerns. We are fortunate to have so many partners actively engaged in the wide-ranging work we do to fulfill our purpose of helping people on their path to better health. Their insights and input are central to the advancement and implementation of our CSR strategy. On the following page, we have detailed how we engage with stakeholder groups and highlighted some of the notable outcomes that resulted from our engagement in 2017. More information about recent collaborations and partnerships can also be found on our [website](#).

Stakeholder Engagement

Stakeholder Group	Methods of Engagement	2017 Highlights
Consumers and patients	In-person interactions, focus groups, customer relations hotline, surveys, social media, websites	<ul style="list-style-type: none"> • Our consumers' feedback drove our decision to eliminate parabens, phthalates and the most prevalent formaldehyde donors across nearly 600 beauty and personal care products.
Colleagues	Meetings and interviews with subject matter experts; engagement surveys; training and professional development opportunities, myLife intranet; in-person, phone and email collaboration with Colleague Resource Groups (CRGs)	<ul style="list-style-type: none"> • Six new CRG chapters were launched and four new states gained representation. Our CRGs facilitate open dialogue between senior leadership and colleagues about company initiatives, policies and practices. In 2017, they provided valuable insight into particular markets, demographics and issues.
Investors and stockholders	Annual Stockholders Meeting, Analyst Day, quarterly earnings calls, phone briefings and email correspondence, response to ratings and rankings, conferences	<ul style="list-style-type: none"> • In the fall of 2017, we again reached out to our top 50 stockholders to gather feedback on a wide range of topics. We regularly participate in phone briefings with investor groups to detail our CSR strategy and commitments, and to address questions or concerns.
Government and regulators	Briefings and meetings	<ul style="list-style-type: none"> • We advocate for policies that promote opioid safety at the state and federal level. In addition to partnering with industry associations, in 2017, we worked directly with legislators and policymakers to urge the adoption of public policies and legislation to help combat prescription drug abuse.
Industry groups and forums	Conferences, in-person meetings	<ul style="list-style-type: none"> • As we continue to advance our sustainable product and chemical strategy, in 2017, we joined the Sustainable Packaging Coalition, and continued collaboration with peers and suppliers through Forum for the Future's beauty and personal care working group. • As a member of the Billion Dollar Roundtable, we share best practices on sustaining and bolstering support of diverse suppliers. Inspired by the example of another Roundtable member, we plan to host a brainstorming session to bring together suppliers, academics, advocacy groups and procurement experts to ideate ways to achieve our 2020 goals.

Stakeholder Engagement

Stakeholder Group	Methods of Engagement	2017 Highlights
Nonprofit organizations and NGOs	Conferences, roundtables, strategic partnerships, participation on boards and advisory councils	<ul style="list-style-type: none"> • In April 2017, the CVS Health Foundation announced more than \$1 million in grants to 33 free and charitable clinics as part of a multi-year grant program with the NAFC. Our partnerships with these clinics have had a meaningful impact on improving care coordination, managing chronic conditions and increasing access to care. • In December 2017, we engaged Ceres to facilitate a working session with experts in the area of renewable energy. Their insights and feedback on best practices and strategies will inform our implementation efforts moving forward.
Suppliers	Direct engagement, trainings, business building events, supplier compliance program	<ul style="list-style-type: none"> • To support our Tier II supplier diverse spending goals, we have begun to assist our Tier I suppliers in expanding their diverse supplier base. In 2018, we plan to launch a connected platform in which our Tier I suppliers can post opportunities for diverse suppliers.
Local communities	Community engagement programs, volunteering, board memberships, event participation	<ul style="list-style-type: none"> • Through our Pharmacists Teach program, CVS pharmacists have reached nearly 345,000 students and adults with our curriculum that helps them understand the consequences of prescription drug abuse, identify signs of abuse, and talk to each other about the issue.
Clients	In-person meetings, phone, email correspondence, surveys, disclosure requests	<ul style="list-style-type: none"> • We measure the satisfaction of our PBM clients twice a year through a web-based survey, and use their feedback to improve our services and client relationships. Our approach to quality improvement has resulted in year-over-year improvement in PBM client and member satisfaction: In 2017, 98% of clients were satisfied or better, up from 96% in 2016 and 95% in 2015. In 2017, 96% of members were satisfied, up from 94% in 2016 and 95% in 2015.
Media	Direct outreach, website, responses to inquiries	<ul style="list-style-type: none"> • We <u>launched</u> our reimagined store format and new products, all designed in the name of better health, at an event in New York City in April 2017. We invited members of the media to the event to speak with CVS Health experts in areas ranging from healthier food options and expanded health services, to chemicals of consumer concern and new standards for vitamins and supplements.

Tracking Our Performance

Over the past several years we have established 20 measurable, time-bound performance targets to track progress against our goals and strategic priorities. Below is a snapshot of our progress. You can read more about our work to achieve each target throughout this report.

Performance Target		2017 Progress	
As part of our commitment to expand access to affordable and quality care, we will:	Establish MinuteClinic partnerships with five VA Health Care Systems by 2022.	This is a new target in 2018.	New target
As part of our work to improve colleague health, we will:	Increase the proportion of enrolled colleagues who are investing in their Health Savings Accounts and their average HSA account balance by 5% by 2022.	The proportion of enrolled colleagues who invested in their Health Savings Account increased from 51.6% in 2015–2016 to 56% in 2016–2017, an increase of 4.4 percentage points. We attribute this progress to a robust communications program about the value of HSA contributions.	On track
As part of our enterprise-wide approach to ensure safe disposal of medication and combat prescription drug abuse, we will:	Increase pharmacist community outreach to educate youth and families by reaching 750,000 individuals by 2020.	Since the inception of Pharmacists Teach in 2015, we have delivered more than 7,300 presentations to nearly 345,000 students and adults.	On track
To help create a tobacco-free generation, we aim to:	Achieve a 10% decline in new youth smokers by 2020, compared to 2015 baseline.	Since 2015, there has been an 8% reduction in new youth smokers.	On track
	Achieve a 3% decline in the national youth smoking rate by 2020, compared to 2015 baseline.	Since 2015, there has been a 1.3% decline in the national youth smoking rate.	On track

Tracking Our Performance

Performance Target		2017 Progress	
To help create a tobacco-free generation, we aim to:	Reach 5 million youth with tobacco-free messaging by 2020, compared to 2015 baseline.	In 2016, we committed \$50 million to Be the First, a five-year initiative to help deliver the nation's first tobacco-free generation. To date, we have reached 4.4 million youth with tobacco-free messaging and education through partnerships with Scholastic, DoSomething.org and our community grantees.	On track
	Double the number of tobacco-free educational institutions by 2020, compared to 2015 baseline.	253 new institutions have gone tobacco-free with our support. In 2015, there were 1,483 tobacco-free institutions. Our target is to reach 2,966, doubling the 2015 baseline.	In progress
To reduce the environmental impacts resulting from our operations, we will:	Reduce carbon intensity by 15% per square foot of retail space by 2018.	We achieved this target in 2015, three years ahead of schedule. In 2017, we worked to establish a new, science-based emissions reduction target and are awaiting approval from the Science Based Targets Initiative.	Achieved
	Reduce water use in retail operations for new construction by 20% in 2020.	At the end of 2017, we had achieved an 18% reduction.	On track
	Ensure 100% of paper procured is sustainably sourced by 2020.	In 2017, 93 percent of the paper we used across the enterprise was sustainably sourced. In addition, 39 percent of our paper stock is certified by the Forest Stewardship Council (FSC).	On track
As we work to improve the sustainability of our supply chain, we will:	Source all palm oil in our store brand products from verified, responsible sources by 2020.	At the end of 2017, 31% of our store brand suppliers have either become members of the Roundtable on Sustainable Palm Oil (RSPO) or obtained Rainforest Alliance certification.	On track

Tracking Our Performance

	Performance Target	2017 Progress	
<p>As part of our efforts to increase opportunities for engagement with stakeholders around sustainability:</p>	Our colleagues will log 10,000 “green actions” on our online colleague engagement portal by 2020.	By the end of 2017, colleagues across the enterprise had logged more than 4,000 green actions on Community Crew, our online colleague engagement portal.	On track
	<p>Our work to create a best-in-class workplace will:</p>	<p>Increase participation in Colleague Resource Groups to 10% of our workforce by 2025.</p> <p>Increase the number of hours our colleagues volunteer by 10% year-over-year.</p> <p>Provide in-person, classroom training sessions for 100% of mid-level leaders by 2019.</p> <p>CVS Health colleagues will collectively complete at least 2 million hours of compliance training every year.</p> <p>Increase the average participation rate across all 401(k) plan from one-third to one-half of all eligible colleagues by 2020.</p>	<p>Currently, 3.43% of our workforce participates in a CRG, up from 2.65% in 2016.</p> <p>In 2017, the number of hours our colleagues volunteered increased by 19%, totaling more than \$3.7 million in value, an increase of 48%.</p> <p>To date, 41% of mid-level leaders have benefited from our Transitions to Advanced Leadership program.</p> <p>In 2017, our colleagues completed 2.06 million hours of compliance training.</p> <p>47% of our colleagues contribute annually to their 401(k) plans.</p>
<p>To help address the nation’s skills gap, we will:</p>	Hire another 5,000 registered apprentices by 2022.	Through 2017, we’ve hired more than 4,700 colleagues through our Registered Apprenticeship program. Our new target is in addition to this number.	New

Tracking Our Performance

Performance Target		2017 Progress	
<p>As we embed diversity within our supply chain, we will achieve:</p>	<p>\$1 billion spend on Tier I suppliers by 2017, or 10% of our total sourceable procurement spend.</p>	<p>In 2017, we spent \$2.3 billion with diverse Tier I suppliers and \$477 million with diverse Tier II suppliers. We have set two new targets for 2020: 1) Increase our annual spending with Tier I diverse- and women-owned suppliers to \$1.5 billion; and 2) increase our annual spending with Tier II diverse- and women-owned suppliers to \$1 billion.</p>	<p>Achieved</p>
	<p>Acknowledgement of our Human Rights Policy by 100% of colleagues by 2019.</p>	<p>We are on track to achieve this goal in 2018.</p>	<p>On track</p>



Health in Action



Health in Action

Millions of times a day, we're helping people on their path to better health — advising on prescriptions, helping patients manage chronic disease and specialty conditions, and ensuring that healthier decisions are easier to make. Our integrated health care model enables us to tackle the critical health challenges facing our nation. Not only do we have the size and capability; we believe it's our responsibility.

We are helping to address these issues — from escalating costs and challenges in accessing health care, to a rise in chronic disease and an epidemic of opioid abuse — by providing more affordable, accessible and quality care.

As part of our work to deliver on this commitment, in December 2017, we announced our plan to acquire Aetna, one of the nation's leading diversified health care benefits companies. We believe this combination presents a unique opportunity to redefine access to high-quality care in lower-cost, local settings and will provide greater integration of care, empowering patients and their providers to make more informed decisions.

Top Accomplishments in 2017



Enhanced our utilization management program to ensure that opioids are being prescribed and used appropriately, consistent with guidelines set by the U.S. Centers for Disease Control and Prevention (CDC)



Began providing real-time information on medication cost and coverage to improve prescription decision-making by patients and their care teams



Implemented new measures to protect patients against harmful drug interactions



Supported communities through major hurricanes and other natural disasters

In October 2017, Morning Consult and CVS Health surveyed a sample of 2,201 Americans about their views and experiences related to health care.



Only **37%** of Americans believe the health care system works well for them

65% say the health care system is too expensive

Just **52%** of American parents are optimistic their children will have better health care than they did

Priorities and Progress

Strategic Priorities	Goals	Highlights in 2017
Accessible and Affordable Health Care	Increase our reach through our network of integrated care	<ul style="list-style-type: none"> Expanded optical and/or audiology offerings to more than 50 locations Expanded partnership with U.S. Department of Veterans Affairs (VA)
	Increase access to affordable health care options for underserved populations	<ul style="list-style-type: none"> 5% increase in Project Health participation \$122 million worth of free medical services provided since 2006 \$100 million provided in charitable support Launched real-time medication benefit and cost information for prescribers, pharmacists and patients
Support for Patients with Chronic Disease	Expand chronic disease management, cessation services and support programs	<ul style="list-style-type: none"> Expanded collaboration with Cleveland Clinic on quality and outcomes Unveiled new, health-focused store design CVS Caremark Transform Diabetes Care program continues to grow
	Improve colleague health	<ul style="list-style-type: none"> Enhanced Employee Assistance Program with expanded services. Now available to all colleagues and their family members regardless of health plan enrollment HealthConnect app, a digital well-being hub, now available to all colleagues Increased the proportion of enrolled colleagues who invested in their Health Savings Account by 4.4 percentage points

Priorities and Progress (con't.)

Strategic Priorities	Goals	Highlights in 2017
Patient and Customer Well-Being and Safety	Provide outstanding clinical and service performance	<ul style="list-style-type: none"> • Launched ScriptPath™ Prescription Schedule for patients with multiple medications • Launched two-way text messaging to support patients with complex conditions
	Maintain continued focus on quality and services	<ul style="list-style-type: none"> • Implemented new measures to prevent dangerous drug interactions • Upgraded our Early Error Detection System • Implemented Pediatric High Dose Monitoring Program
	Ensure safe disposal of medication and combat prescription drug abuse	<ul style="list-style-type: none"> • Implemented new utilization management guidelines to reduce opioid abuse • Expanded safe medication disposal program inside CVS Pharmacy stores • Launched Prescription for Parents drug abuse education program • Since the inception of Pharmacists Teach in Fall 2015, we have delivered presentations to nearly 345,000 students and adults
	Help create a tobacco-free generation	<p>Progress toward 2020 targets:</p> <ul style="list-style-type: none"> • Reached more than 4 million youth with tobacco-free messaging • Increased the number of tobacco-free educational institutions by 128 • Achieved 8% decline in new youth smokers • Achieved 1.3% decline youth smoking rate



Accessible and Affordable Health Care

Health care spending in the U.S. has increased from 5 percent of GDP in 1960 to 18 percent today, and is on a path to reach 20 percent within the next decade. These increases have a huge impact on the budgets of employers and public programs — they're also having a direct economic impact on nearly all Americans, as a result of rising premiums and deductibles and rapidly increasing enrollment in high-deductible health plans. These high-deductible plans were meant to encourage consumers to seek out affordable, quality care on their own, taking preventive measures as more engaged patients. Even as these plans are more widely used, consumers often lack the information or tools they need to find the best care at the lowest price.

The system is also overwhelmed by an increased demand for primary care services. As health coverage has expanded, wait times have increased and a physician shortage looms. Patients who lack a primary care physician — or can't get an appointment — often turn to a hospital emergency department, the least cost-effective site of care.

Affordability and accessibility are challenges that CVS Health is uniquely positioned to address. We are bringing lower-cost care closer to patients' neighborhoods through MinuteClinic, our hearing and optical centers, and our Coram® outpatient infusion clinics. We're bringing care directly into homes through telehealth, in-home infusion, and the health-related products sold in our stores.

We're also helping to control the cost of prescriptions by encouraging the choice of generics, improving cost and benefit transparency, and launching new value-based reimbursement initiatives. In times of natural disaster, like hurricanes and wildfires, we're helping patients get the care and medications they need as quickly as possible.



\$5.7K

Average family's contribution towards the premium of employer-sponsored health insurance, up 74% since 2007

24

Average number of days to wait for a new-patient appointment with a physician in 15 major metro areas, up 30% since 2014

63%

Rise in deductibles for single covered workers, 2011–2016, which is 6x faster than the rise in earnings during the same period

89%

Americans who reported being somewhat concerned or very concerned about the high cost of prescription drugs



Expanding Access to Lower-Cost Care

When it comes to health care, patients are demanding more than quality and value. They've come to expect health care that is just as convenient as any service they might find online or around the corner. We are working to achieve that.

With our PBM and retail pharmacy services, MinuteClinic locations, Coram infusion sites, a growing number of audiology and optometry centers, health and wellness vending machines, and our telehealth and home delivery programs, we're bringing more affordable services closer to home.

New MinuteClinic Services

The number of urgent-care centers and walk-in health clinics is growing rapidly as more patients seek accessible, affordable care. We are the nation's largest provider of walk-in clinics: more than 50 percent of the U.S. population lives within 10 miles of a MinuteClinic location.

The MinuteClinic business model is based on accessibility and affordability. Clinics are open seven days a week and most services are available for less than \$100. Digital tools allow patients to check current wait times at all clinics and to schedule an appointment online. In 2017, we also updated our kiosk check-in technology for a quicker and more seamless registration.

MinuteClinic delivers quality care and is accredited by the Joint Commission, an independent, nonprofit organization that accredits and certifies health care programs in the United States. In 2017, MinuteClinic received a 95 percent patient satisfaction rate.



We continue to add services in response to patient needs. In 2016, we added treatment for acne and rosacea, HPV vaccination, and travel-related services. In 2017, we launched sexually transmitted infection diagnostic and treatment services for all patients, which allows our providers to order tests, review results and write prescriptions for some conditions.

Also in 2017, we piloted administration of the Makena[®] injectable hormonal medication to reduce the risk of preterm birth in women who have delivered preterm in the past.

See Support for Patients with Chronic Disease to learn how we expanded diagnosis and treatment of chronic conditions at MinuteClinic locations in 2017.

New Audiology/Optometry Centers

We've seen successful growth from our hearing and optical offerings, pointing to an acute need in our patients:

- Forty-eight million Americans experience hearing loss. Nearly two-thirds of these individuals are under the age of 65. However, only 20 percent have done something to alleviate the problem.
- About three-quarters of Americans have a need for vision correction, but wait times for doctors can be a month or more.

In 2017, we expanded to offer more than 22 optical and 32 audiology sites around the nation, up from five and seven sites, respectively, in 2016.

These centers offer lower-cost solutions on a walk-in basis. Licensed hearing providers are available five days a week to conduct a complete hearing assessment and explain treatment options, and doctors of optometry are available up to five days a week. Our audiology and optometry providers collectively saw nearly 7,000 patients in 2017.

Bringing Health Closer to Home

We continue to develop innovative solutions to provide patients with convenient and quality care.

Delivering Prescriptions

In November 2017, we announced nationwide next-day delivery from CVS Pharmacy locations which started in early 2018. We began offering free, same-day delivery in Manhattan in December 2017, and the service is scheduled to expand to Miami, Boston, Philadelphia, Washington, DC and San Francisco in 2018. Prescriptions and a curated selection of over-the-counter products will be delivered directly from CVS Pharmacy in secure, tamper-proof packaging right to customers' doors, to assure complete privacy.

New Vending Machines

In September 2017, we introduced automated retail vending machine stocked with convenient necessities including over-the-counter health products, 'better-for-you' snacks and personal care products. The first 25 machines were installed in high-traffic areas throughout New England and New York, combining convenience and innovation to help better serve our customers.

Expanding Our Veterans Program

We are committed to supporting America's 19 million veterans by helping to ensure they have access to high-quality, affordable care. Veterans often face new and complex health challenges after returning from duty, but demand for Veterans Health Administration services often exceeds capacity.

In April 2017, we announced a collaboration between MinuteClinic and the U.S. Department of Veterans Affairs (VA) in Phoenix, AZ to provide access to affordable health services for the more than 120,000 veterans in the region at 24 MinuteClinic locations. The VA can refer veterans to MinuteClinic locations for acute health services. Veterans can fill prescriptions at CVS Pharmacy using the VA formulary, and MinuteClinic patient records are integrated with the VA's own electronic health records.

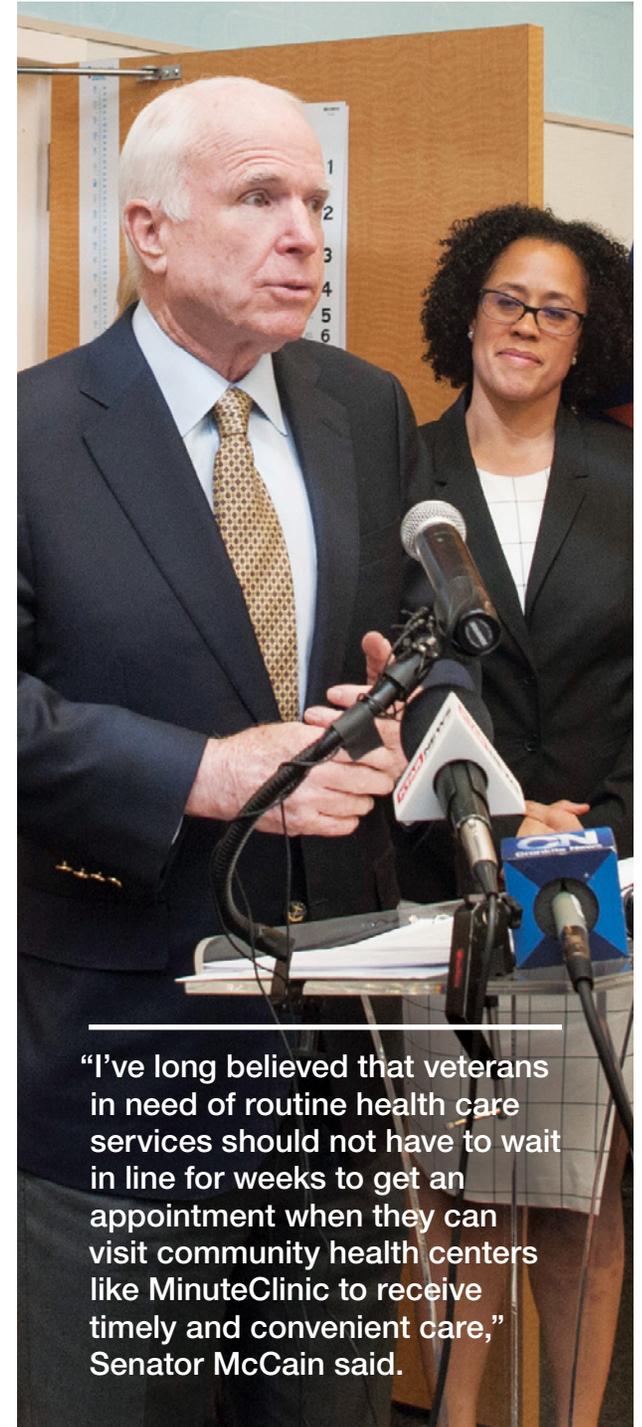
U.S. Senator John McCain attended the opening. "I've long believed that veterans in need of routine health

care services should not have to wait in line for weeks to get an appointment when they can visit community health centers like MinuteClinic to receive timely and convenient care," Senator McCain said.

The Phoenix collaboration builds upon the success of the first MinuteClinic-VA relationship, which has been available to 60,000 veterans in Northern California since 2016. Our work with the VA in California has resulted in high patient satisfaction and average wait times of just 18 minutes. The average wait time in Phoenix is also under 30 minutes.

We stand ready and willing to initiate more partnerships as government funding is made available. In 2017, we developed a new target to:

- Establish MinuteClinic relationships with five VA Health Care Systems by 2022.



"I've long believed that veterans in need of routine health care services should not have to wait in line for weeks to get an appointment when they can visit community health centers like MinuteClinic to receive timely and convenient care," Senator McCain said.



SMART™ Gets Results in Public Schools



It's an intuitive concept: Kids who are healthy perform better in school. Unfortunately, there are often gaps between students' need for health care services and their ability to access them.

CVS Health is helping bridge this gap, by entering into a public/private partnership with Ginn Group Consulting to promote the development of SMART, a school health solution focused on ensuring the wellness of every student in an educational setting. The SMART model is built on the proven connections between health, education and workforce opportunity.

Launched in 2013, the SMART model distinguishes itself from traditional school-based health care in significant ways:

- It focuses on academic outcomes as its purpose, and is completely integrated into the educational environment. The SMART staff work closely with educators and administrators to ensure they support the goals and need of the students.
- It integrates physical and behavioral health through an Active Access strategy that delivers Active Care.
- It focuses on proactively ensuring the wellness of every child in the building, not just reacting to the acute needs of the few.
- It is culturally responsive. With the Hispanic Heritage Foundation serving as an advisor, staff work to meet the unique needs of disadvantaged students and remove stigma and barriers to health care access.

“For us to be able to help kids through health care to achieve academic success, that is their ticket to long-term success in life, and to a healthier life,” says Melanie Ginn, the architect of the SMART model.

A Success Story in Chicago

At Sullivan High School in Chicago, the SMART center replaced a struggling school-based health clinic in 2013. Since then, the population of students that receive health care has jumped to 85–90 percent, as opposed to the 15–20 percent usually seen by traditional models. Average absenteeism has dropped in half and disciplinary referrals have plummeted.

“I really believe as a school leader that if a student’s social, emotional and medical needs are not being met, then they’re not going to perform in the classroom, and they’re not going to want to come to school,” says Sullivan Principal Chad Adams. “The school had 80 percent attendance for the last 10 years. That means you’re missing 36 school days in one year. Today we’re at 91 percent attendance. You can imagine the different outcomes you can get just by getting kids in the building and providing them the service they need, from the mental, physical and medical needs of the child.”

“It’s a safe haven,” says Sullivan student Heaven Bellock of the center. “You can go there and talk to them about anything and know that they care about you as a person and how you are doing in class.”

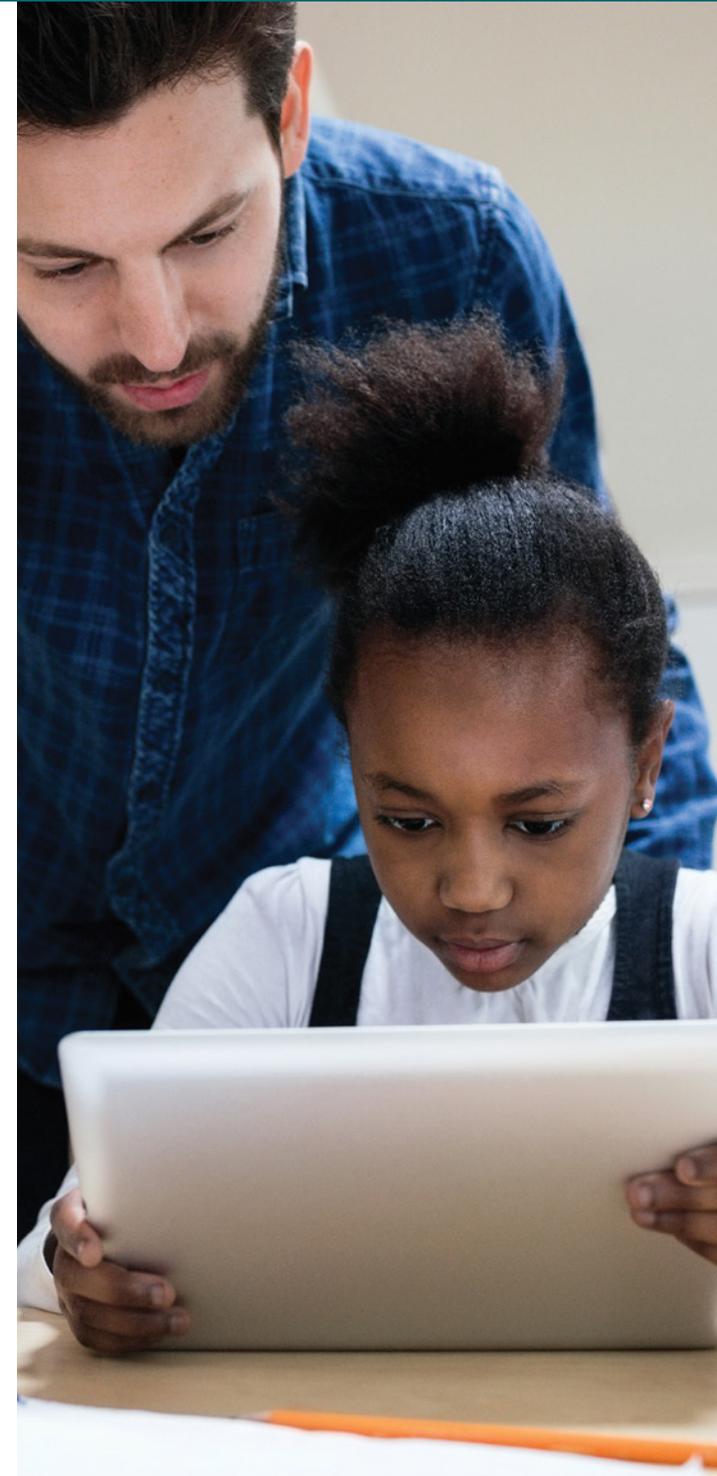
SMART was built with the flexibility to fit into any school environment. Currently, there are four regional replication pilots at schools in Illinois, Alabama and Maryland. Officials in Alabama have expressed interest in implementing the program statewide.

SMART is now a nationally recognized model, featured in numerous publications and in a formative evaluation white paper, *The SMART Student Health and Wellness Approach: A Holistic Model for Achieving Health and Education Outcomes in Support of Diverse Communities*, by Brown University’s Liza Cariaga-Lo, Ph.D.

SMART was also presented in a Congressional Briefing and Symposium in Washington, DC on May 18, 2017. During the symposium, Dr. Peter Hlebowitsh, Dean of the College of Education at the University of Alabama in Tuscaloosa, stated that, “When noting the evolution of the public school system and its hallmark features, I can see the day when SMART Student Health and Wellness Centers are as normative within public education as libraries and media centers — one in every school. It is paramount that students in the classroom be physically and mentally healthy, providing each the best opportunity to participate and learn. SMART identifies and reduces the barriers to student success and creates and/or improves the conditions that maximize the capacity for educators to teach.”

“Through this innovative school health solution, we believe quality, accessible and cost-effective care is within reach for students that need it most.”

“CVS Health is proud to support the development of the SMART Student Health and Wellness model,” said David Casey, Chief Diversity Officer and Vice President of Workforce Strategies, CVS Health. “Through this innovative school health solution, we believe quality, accessible and cost-effective care is within reach for students that need it most.”





Supporting Health Care in Our Communities

At the heart of our purpose of helping people on their path to better health is our commitment to supporting the communities we serve. Whether we're helping underserved populations, making prescription drugs more affordable, fighting tobacco addiction or providing assistance during disasters, we're always committed to the improvement of community health and well-being.

Reaching Diverse Communities through Project Health

In September 2017, we launched our 12th annual Project Health free health screening campaign. Over four months, 450 Project Health wellness events were held in 10 multicultural communities with a large number of uninsured or underinsured Americans. More than \$6.4 million worth of free services were delivered.

Project Health continues to grow. In 2017, we reached more than 63,000 participants, a 5 percent increase over past years. Participants are drawn to our screenings through coupon giveaways, flyers, the CVS app, and music and celebrity appearances at the events, which are intended to promote wellness and patient self-awareness around key health indicators.

Roughly one-third of attendees first become aware of a health condition or concern as a result of their

screening at a Project Health event. We continue to find that participants have significantly higher levels of abnormal blood pressure, body mass index, glucose and total cholesterol than national averages.

Our goal is to lead these patients on their path to better health by referring them to treatment for their conditions. In 2017, we debuted the Individual Health Access Plan, which facilitates follow-up conversations. Each participant receives an explanation of their screening, a comparison to ideal numbers, and nutrition and fitness tips.

Each Project Health screening includes a visit with a nurse practitioner, who provides notes on the Individual Health Access Plan and advice on needed follow-up care. We also offer a directory of low- and no-cost primary care options to encourage follow-up care for uninsured or underinsured patients.

In February 2017, we became a new national sponsor of the American Heart Association's Go Red for Women movement.

Support through Charitable Giving

In 2017, we provided more than \$100 million in charitable support through the [CVS Health Foundation](#), corporate grants, in-kind donations, employee giving, fundraising and other community investments aimed at improving health in communities around the country.

Heart disease is the number one killer of women, causing one death every 80 seconds. In February 2017, we became a new national sponsor of the American Heart Association's Go Red for Women movement, pledging to donate at least \$10 million over three years to support life-saving cardiovascular research and education. CVS Health Executive Vice President and Chief Human Resources Officer, Lisa Bisaccia, also serves as National Chair of the campaign. The partnership launched with an in-store fundraising campaign last February.

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 relationships including the National Association of Free and Charitable Clinics (NAFC) and the National Association of Community Health Centers (NACHC).

As part of that commitment, in April 2017 the CVS Health Foundation announced more than \$1 million in grants to 33 free and charitable clinics

as part of a multi-year grant program with the NAFC. Also in 2017, we granted about \$1 million to 10 community health centers to fund innovative approaches for prescription drug abuse management and prevention. More than 250 grants have been awarded to community health centers and free clinics across the country over the past five years.

We are focused on expanding access for underserved populations each year. For example, in October 2017, we announced a commitment to the nonprofit Northside Center for Child Development to expand mental health clinics in public and charter schools in New York City. The grant to Northside will be used to expand the clinics' footprint and serve more children in New York City in the next four years.

In December 2017, the CVS Health Foundation committed \$550,000 to the Alzheimer's Association, bringing the Foundation's total commitment to more than \$1 million since 2016. The contributions support a new program to help health care providers enhance their ability to detect, diagnose and care for individuals living with the disease.

Learn more about our philanthropic impact throughout this report, including [Tobacco-Free Lives](#), [Combating Prescription Drug Abuse](#), [Best-In-Class Workplace](#), and [Supporting Our Communities in Times of Disaster](#).

The logo for 'The Civic 50' is displayed in white on a teal background. It features three vertical bars of varying heights to the left of the text. The text 'THE CIVIC' is in a smaller, all-caps sans-serif font, and '50' is in a much larger, bold, all-caps sans-serif font.

In June, we were proud to be recognized by Points of Light, the world's largest organization dedicated to volunteer service, as one of the fifty most community-minded companies in the U.S. [The Civic 50](#) provides a national standard for superior corporate citizenship and showcases how companies can use their time, skills and other resources to improve the quality of life in the communities where they do business.



Reaching Out

Project Health in West Baltimore



The streets of West Baltimore were thronged with people enjoying a pleasant late-summer day. A DJ played outside the Penn-North CVS Pharmacy, encouraging passers-by to come in for free health screenings. The store looks like any other around the country, but for local residents it has a special significance.

In 2015, the store was looted and burned to the ground in a riot that followed the burial of Freddie Gray. “The burning CVS... became perhaps the most recognizable image of one of Baltimore’s darkest days,” *The Baltimore Sun* reported at the time. But CVS Health rebuilt the store and reopened it just 11 months later, to excitement and positive energy from the community that had relied upon it, a symbol of the company’s commitment to the city.

On the day of the Project Health event, patients chatted in a line inside the store and then sat with technicians who took their blood pressure, gave them hand-held, body-mass-index monitors, and pricked their fingers to test blood glucose levels. Within minutes, they were seen by Physician Assistant Joe Frazier, who discussed their results on the spot.

While about 80 percent of the people at the event had health insurance, many face challenges with following up on health issues that are identified, Frazier said. “This is an outreach,” Frazier said. “It gets them into the conversation about what they can do for themselves.”

Lela Holmes, 63, had already been on medication for high blood pressure when she attended the screening. She learned that her blood pressure was under control, but her cholesterol was high. She pledged to call her doctor on Monday to discuss the cholesterol. Meanwhile, she lined up for a flu shot at the pharmacy.

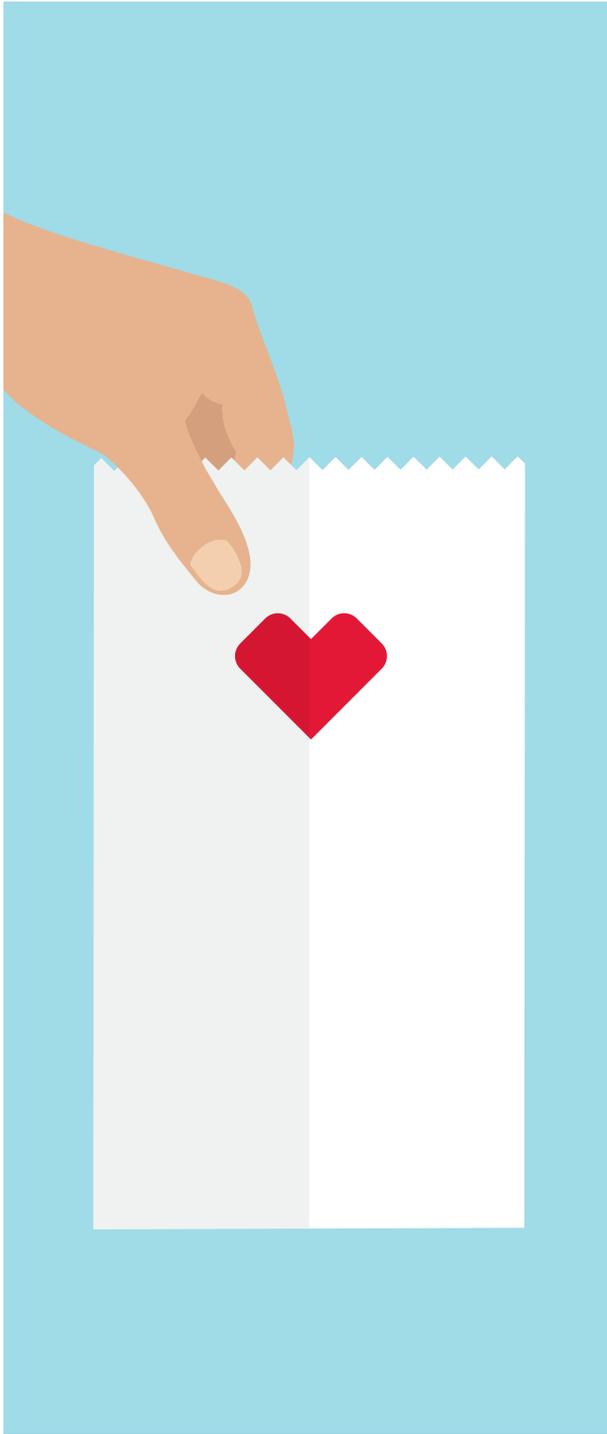
“I think it’s a fantastic program,” Holmes said of Project Health. “It’s making people alert about themselves, showing them maybe you need to go see a doctor for this or that. So I think it’s wonderful.”

“It gets them into the conversation about what they can do for themselves.”

Rodrick Penix, 23, has a family history of high blood pressure, strokes and seizures. Though he’s visited a health clinic before, he says he first found out he had high blood pressure and very high cholesterol at the Project Health event. The physician assistant warned him that his young age doesn’t exempt him from health problems, and he said he would return to the clinic with the results.

The Project Health event “reminds people how really serious their health is,” Penix said. “It’s always wonderful to take care of your body.”





Making Prescription Drugs More Affordable

The steep rise in prescription drug prices was a widely discussed issue in 2017, from social media platforms to Congress. Indeed, the rising price of prescription medication is a significant contributor to the rising cost of health care. From 2016 through 2025, health care spending is projected to grow 5.6 percent annually and prescription drug spending 6.3 percent annually, both significantly higher than baseline economic growth.

In 2016 alone, drug prices rose 11 percent. The increases were driven primarily by rapid price inflation for branded specialty and prescription drugs for chronic diseases like arthritis and diabetics.

CVS Health works through several channels to make prescription drugs more affordable to millions of Americans. Our pharmacy benefit manager, CVS Caremark, negotiates on behalf of clients, manages a formulary that guides patients toward the lowest-cost effective treatment, and implements innovative payment models.

In 2017, we also launched a leading-edge service that supplies real-time information on drug costs and coverage to prescribers, pharmacists and patients; introduced a lower-cost alternative to auto-injectable epinephrine; and launched a new prescription savings program.

Controlling Prices for CVS Caremark Members

CVS Caremark® is the largest pharmacy benefit manager (PBM) in the country, providing coverage to more than 94 million members. PBMs utilize market competition and industry expertise to reduce the net cost of prescriptions to their clients, who are commercial health plans, self-insured employer plans and other payors.

In 2017, our CVS Caremark clients saw an average growth in drug spending in per member cost of

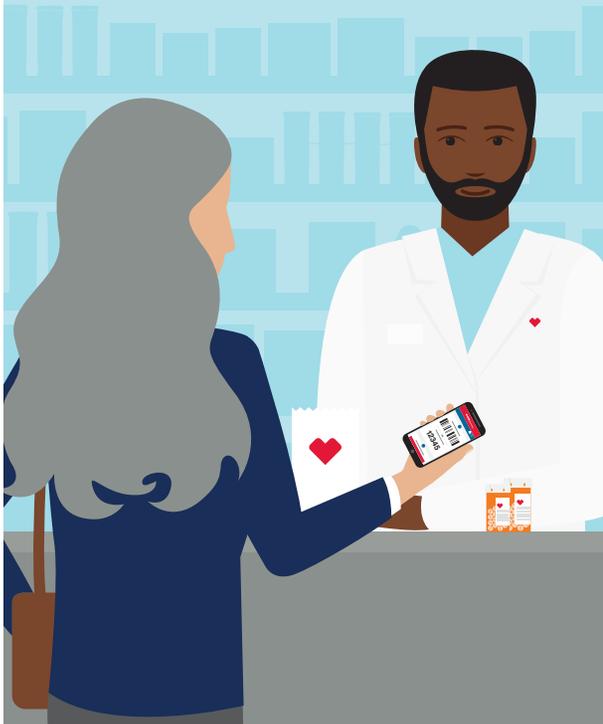
1.9 percent, our lowest reported trend result in more than five years. We reduced the drug price trend for clients through solutions including price protection and the negotiation of discounts and rebates from drug manufacturers. We also encouraged the use of lower-cost brand and generic drugs through managed formularies. In 2018, we removed 17 drugs from our standard formulary. An independent, expert advisory board of physicians and pharmacists has determined that lower-cost, clinically appropriate alternatives are available for these drugs. By the end of 2018, we estimate that our formulary strategy will have saved clients \$13.4 billion since its introduction in 2012.

Reducing Out-Of-Pocket Costs

Amidst the charged atmosphere and controversy surrounding drug prices, our commitment and focus remain on helping clients provide an affordable, accessible benefit that delivers effective care to their members. One example of how we do this is by making it possible for our CVS Caremark clients to offer rebates to their plan members at the point of sale.

Insured plan member out-of-pocket cost share declined by nearly 1% in 2017. This was partially due to improvements in generic dispensing; many members also benefit from \$0 dollar preventive drug lists. Members incur much of that expense during the deductible phase of their coverage. During this phase, members are responsible for the pre-rebate, gross

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. The program currently offers insulin at a significant discount. We plan to expand the savings program to other medications in the future.



cost of the drug. An increasing number of members are covered by high-deductible health plans, leaving them more exposed to these costs.

Applying rebates at the point of sale directly reduces costs to members who are paying for a drug during the deductible phase. We can model the impact of point-of-sale rebates on total cost-sharing for clients so they can decide whether to implement this solution and if they need to adjust other costs (deductibles, premiums or copays) to compensate for the higher costs that result.

Managing Cost, Based on Value

We continue to develop new cost-management strategies to help mitigate the impact of escalating drug costs. The latest advances are value-based initiatives, which enable more precise formulary management by negotiating pricing for specific drugs and conditions. With value-based management, reimbursement is tied to the value and outcomes a therapy delivers rather than to predetermined prices.

We launched our value-based initiatives in 2017 with Transform Obesity Value, Transform Oncology Value and Transform Respiratory Value. We intend to expand these initiatives through 2018 and beyond.

Providing Real-Time Data on Costs

Patients often consider cost when deciding whether to fill a prescription. Health care providers typically don't know how much the medication will cost the patient when they are writing a prescription, and neither do patients, until they go to the pharmacy to pick it up. Patients who can't shoulder the higher-than-expected costs at the pharmacy counter sometimes choose not to fill the prescription, or may not take it as directed.

In November 2017, we announced CVS Caremark would begin providing real-time benefits information across all key points of care. For

the first time, prescribers, pharmacists and members will have access to member-specific cost and coverage information.

During a provider visit, the prescriber will have real-time access to information, including:

- The cost of the drug based on the member's plan coverage, deductible, and how much of the deductible the member has met.
- Up to five clinically appropriate therapeutic alternatives that may be lower-cost.
- Restrictions on the selected drug, such as prior authorization. Prescribers will be able to immediately submit an electronic prior authorization request, speeding up an often onerous process.

Beginning in early 2018, real-time benefit information was added to the Check Drug Cost tool on Caremark.com, helping the member to find lower-cost alternatives anytime and anywhere.

Helping People Save on Prescription Drugs

We believe in giving patients more affordable medication choices, and in reducing out-of-pocket costs.

In January 2017, we introduced a low-cost alternative to brand-name epinephrine auto-injection for patients with life-threatening allergies. At the time of introduction, our authorized generic Adrenaclick® was about one-sixth the cost of the brand-name drug.

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. The program currently offers insulin at a significant discount. We plan to expand the savings program to other medications in the future.



Comprehensive Care

for Those Who Need it Most



When Julio first came to Arlington Free Clinic (AFC) outside Washington, DC, he was on crutches. His foot had swelled from diabetes-related complications from an injury suffered from his work as a day laborer. A recent immigrant, he's determined to escape the fate of his father, who died of diabetes-related complications in Honduras.

Today, Julio's diabetes is under control. So is his cholesterol, which he hadn't known was high until he visited the clinic. And though he still can't work due to the injury, he knows he can still access the medications and treatment he needs at no cost to him through the clinic. "Thank God the clinic is here for me," he says. "I don't know where I'd be without it."

AFC is one of more than 1,200 free and charitable clinics around the country that serve people who are uninsured, underinsured, or have limited access to care. [These clinics](#) operate with little or no state or federal funding and utilize a volunteer-staffing model to provide a wide range of medical, dental, pharmacy, vision and behavioral health services to the economically disadvantaged.

In February 2018, the CVS Health Foundation announced \$1 million in new grants to 49 free and charitable clinics across the country, including \$20,000 to AFC. The latest grants bring the Foundation's total contribution to free and charitable clinics to more than \$4.5 million since 2015, supporting increased access to quality care as well as chronic disease management and prevention.

Over the last two years, free and charitable clinics have experienced a 40 percent to 50 percent increase in patient demand, but donations have declined by 20 percent, according to the NAFC.

AFC has to use a monthly lottery to provide patient appointments. There is such a huge demand that almost half of the patients can't get an appointment that month. Patients who come a second and third time get multiple entries into the lottery to ensure they can see a clinician.

AFC patients can access dozens of medical specialties under one roof, thanks to a network of more than 500 volunteers. "There's something very gratifying about taking care of people who need your care, but couldn't afford it otherwise," says Dr. Ian Shenk, a gastroenterologist who volunteers for AFC. Dr. Shenk, now retired, long provided charitable care in his practice. But he says the clinic's resources allow him to serve patients in a more comprehensive way.

It's long been documented that poor and marginalized people face greater obstacles to health and well-being. At AFC, a CVS Health Foundation grant funds Community Bridge, a program that addresses non-medical factors that influence health. Community Bridge links clinic patients with safety net service providers in areas including food and rent assistance, parenting programs, immigration rights and support for victims of domestic violence. In addition, patients referred through Community Bridge partners can get a clinic appointment without having to enter the lottery.

"Health is influenced by many factors: having a safe place to live, steady employment, education," says Nancy White, executive director of AFC. "It's important to partner with organizations that do these things well."

Helping Day Laborers

Day laborers like Julio are among the hardest people for providers to reach. Julio learned about AFC through the Shirlington Employment and Education Center (SEEC), a Community Bridge partner that facilitates

employment, vocational support and educational support for workers. Clinic workers conduct outreach at SEEC to bring in day laborers as patients.

"This program helps us to explain the importance of a medical home to these patients, whose bodies are their jobs," says Jody Kelly, director of clinical administration at AFC. "They don't have sick leave. If they don't work, they don't earn."

To accommodate day laborers, the clinic is open in the evenings. "I tell the people here you don't need to deny yourself health care just because you can't afford it," says Andres Tobar, executive director of SEEC.

SEEC and the clinic have developed a strong relationship. Volunteer physical therapists from the clinic travel to SEEC to train the laborers on workplace injury prevention. For its part, the clinic hosts free courses from SEEC aimed at the Latina women who clean homes or care for the children or elderly in Arlington. One of the courses focuses on housekeeping using healthier, less-expensive natural products; the other, on the mechanics of starting a business such as marketing, budgeting and accounting.

"You don't need to deny yourself health care just because you can't afford it."

"The CVS Health Foundation provides essential funds, but also pushes us to be innovative," White says. "This support lets us look beyond day-to-day operations to seek new and different ways to help our patients."





Support for Patients with Chronic Disease

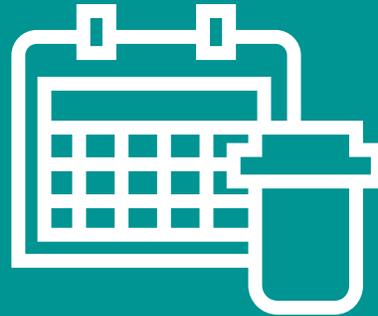
The U.S. health care system was originally built to provide acute care using a fee-for-service model — not to provide coordinated care to the chronically ill. It also was not designed to meet the changing expectations of patients, who are increasingly looking for more value, greater convenience, and help in making healthier choices every day.

Today half of all American adults have at least one chronic illness such as heart disease, hypertension or diabetes, and the numbers are growing. These patients face a fragmented system that produces high costs and suboptimal health outcomes — one that many patients experience as a maze of confusion.

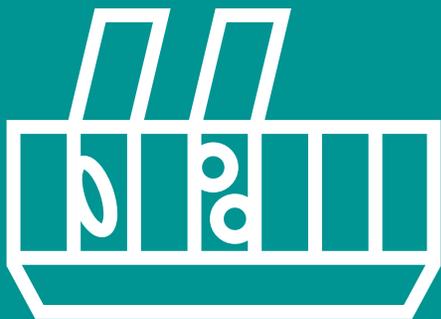
We understand the challenges of coping with chronic disease. We're expanding treatment for chronic disease at MinuteClinic locations, increasing coordination of care throughout the system, helping patients adhere to their prescribed drug regimens and offering healthier options at our stores.

117M

American adults
have one or more
chronic conditions



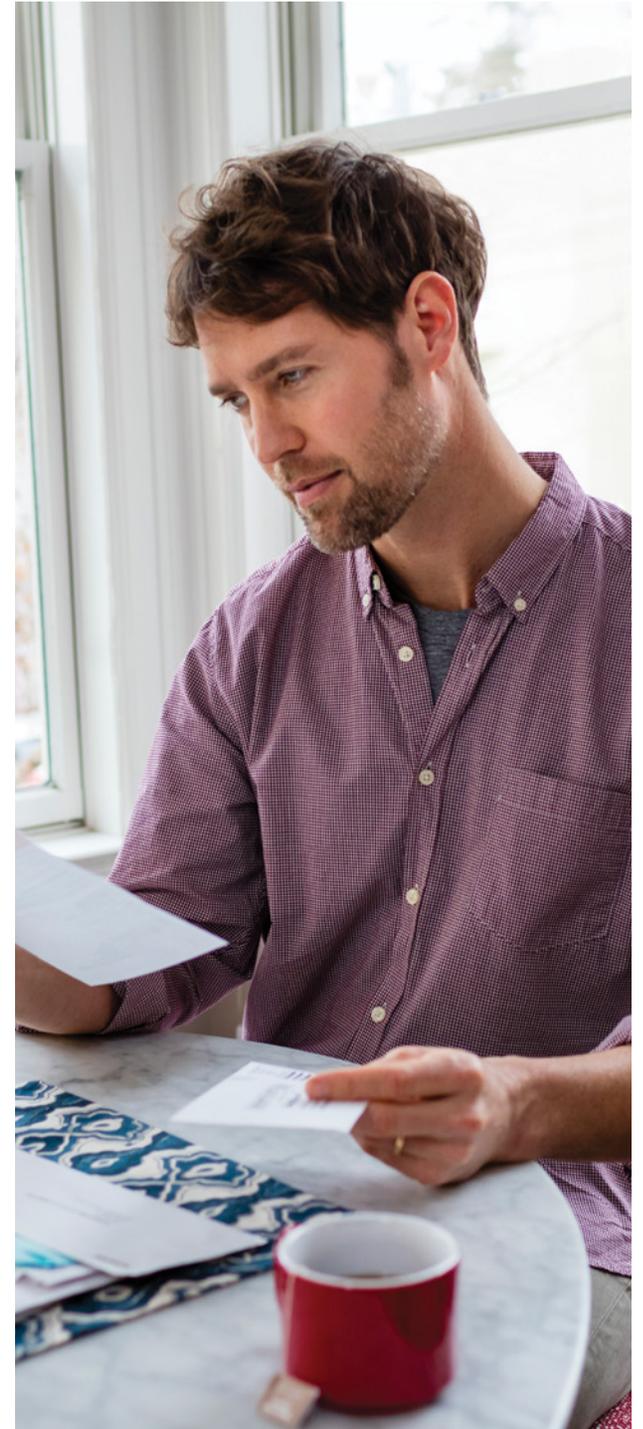
Only 1 out of 3 patients with high (LDL) cholesterol has the condition under control



At least

125K

Americans die each year
due to poor medication
adherence



Improving Chronic Disease Management

As Americans age, the prevalence of chronic disease is likely to grow, and more Americans will transition across settings including hospitals, home and long-term care facilities. We can make health care more effective by engaging patients where they are and coordinating care to make a complex system easier to navigate.

Pharmacy care can play a significant role, because patients with a complex chronic disease will visit the pharmacy over the course of a year many more times than the doctor's office. As a result, pharmacists can take an active role in each person's health experience through improving medication adherence and helping patients coordinate care more effectively.

Treating Chronic Disease through MinuteClinic

MinuteClinic offers a suite of services designed to help patients manage their chronic conditions. In 2017, we expanded services for four chronic conditions: high blood pressure, diabetes, high cholesterol and hypothyroidism. Our providers conduct assessments, order lab tests, recommend lifestyle modifications, and provide initial treatment when appropriate following evidence-based guidelines.

In addition to our philanthropic support of the American Heart Association's Go Red For Women® movement, in 2017 our MinuteClinic locations provided free heart health screenings to more than 1,000 women on Valentine's Day, helping them assess their heart health and make any necessary changes to their lifestyle to reduce their risk of heart disease and stroke.

When we diagnose a chronic condition, we proactively encourage patients to engage with a primary care physician (PCP). Some patients face a wait time of two to three months for an initial consultation with a PCP, so a MinuteClinic visit can be a timely source of early intervention.

Coordinating Care with Cleveland Clinic

We continue to deepen our clinical affiliations with nearly 70 major health systems across the U.S. In 2017, we expanded our eight-year affiliation with Cleveland Clinic, one of the nation's most prestigious health care systems.

The Cleveland Clinic affiliation is similar to others in that we can share prescription and visit information through the EpicCare electronic health record systems. But this affiliation goes much further. CVS Health will join Cleveland Clinic's Quality Alliance, a clinically integrated network collaborating on quality measures including those tied to chronic disease management. The two organizations will collaborate on quality care initiatives, jointly measuring trends and outcomes in support of population health goals.

In a pilot program, the two organizations will also jointly manage a population with high blood pressure. Enhanced IT integration will allow for messaging and alerts between treating physicians and MinuteClinic. This integration helps with care coordination and provides a more comprehensive view of patients. If this pilot succeeds, our goal is to co-manage other populations with different chronic conditions.

Transforming Care through Customized Interventions

Chronic conditions can be difficult to manage. We have the ability to support patients in multiple ways through our unique suite of health assets — our stores,

pharmacies, MinuteClinic locations, infusion centers, PBM services and more. Our unique model of integrated care delivery can improve outcomes while controlling costs.

Our Transform Care™ programs are designed to help our 94 million CVS Caremark members manage their chronic conditions effectively, leveraging our local presence and the expertise of our clinicians to counsel and support members. These condition-specific programs rely on patient-related health and pharmacy data to deliver frequent, highly personalized interventions. They also incorporate a range of technological tools to help members monitor and manage their conditions and connect with providers for better coordination of care.

The cost of drugs to manage many chronic conditions has been rising rapidly. Our Transform Care programs combine leading-edge disease management with CVS Caremark drug cost management strategies, so we can guarantee clients who sign on to these programs a specified level of cost control for condition-specific medications.

Transform Diabetes Care

2017 was the first full year of our inaugural Transform Care program, Transform Diabetes Care™. With 1 in 4 people with diabetes unaware of their condition, Transform Diabetes Care uses advanced analytics to identify members with diabetes and target appropriate interventions.

A certified coach develops a personalized management plan for each Type 2 diabetes patient based on pharmacy data and information in their electronic health record. The coach helps the patient execute the plan with the help of a connected glucometer at home and calls to offer help if there is an abnormal glucose reading. Patients also receive reminders about prescription refills, in-person counseling on diabetes management from their local pharmacist, and comprehensive diabetes visits at MinuteClinic locations with no out-of-pocket cost. MinuteClinic providers counsel members on lifestyle changes, self-management and other aspects of diabetes therapy.

Transform Rheumatoid Arthritis Care

Rheumatoid Arthritis (RA) affects more than 1.5 million people in the U.S. The condition is painful and potentially debilitating, and the drugs to treat it often produce severe side effects. Patients respond to the drugs in different ways, and may struggle to stay adherent to therapy, potentially leading to progression of their disease and more trips to the hospital or ER.

In January 2018, we announced Transform RA Care™, which provides personalized, holistic care to help ensure a better patient experience and improved outcomes. Transform RA Care members receive proactive, personalized care from a team of pharmacists and nurses with disease-specific expertise. The team helps members manage their symptoms and comorbidities, connects them to social support, and offers coaching and education.

Treatment for RA in the U.S. costs an estimated \$19 billion per year. Transform RA Care is the first Transform Care program to employ value-based drug cost management, in which reimbursement is tied to the value and outcomes a therapy delivers rather than to predetermined prices. Members with RA can also use innovative digital tools to help them start and stay on their therapies and access Specialty

Connect®, a program which has been proven to increase adherence. With Specialty Connect, patients can bring their specialty prescriptions to any CVS Pharmacy and pick up their medications at any CVS Pharmacy or by mail.

We expect to launch Transform Care programs for three more chronic conditions — asthma/chronic obstructive pulmonary disease (COPD), high blood pressure and high cholesterol — later in 2018.

Healthier Product Offerings

We continue to explore new ways to provide our customers with healthier food options. In 2016, we expanded our Gold Emblem Abound® product line to more than 140 items and expanded our assortment of healthier foods and beverages to nearly 3,000 stores nationwide. Gold Emblem Abound products are free from artificial flavors and preservatives, and each product includes at least one “better for you” characteristic called out on the package. We also dedicate 25 percent of our front checkout space to healthier options. In 2017, we found a positive reception to these changes, and almost 60 percent of our active ExtraCare® cardholders buy healthy food products. Most notably, our sales of organic food products increased 50 percent in 2017.

In 2017, we continued to test and launch products that deliver on our consumers’ needs and preferences.

- Products in our newly launched Live Better® brand for children’s and adult cough and throat relief use only essential ingredients and are free from artificial preservatives, dyes and flavors.
- We introduced two CVS Health Adult Electrolyte products, designed to prevent dehydration due to diarrhea and vomiting more effectively than sports drinks, juices and water.
- After finding that many of our customers were shopping at CVS Pharmacy to fill their pantries,

we introduced a variety pack of smaller-portion, healthier snack foods during back-to-school season.

- We also launched a seasonal program called Better Choices Made Simple™ that ran during the Easter, Back to School and Halloween time periods. This program showcased brands like Annie’s®, Bai®, Kind®, Enjoy Life®, Zarbees®, Method® and Seventh Generation®.

Health-Focused Store Design

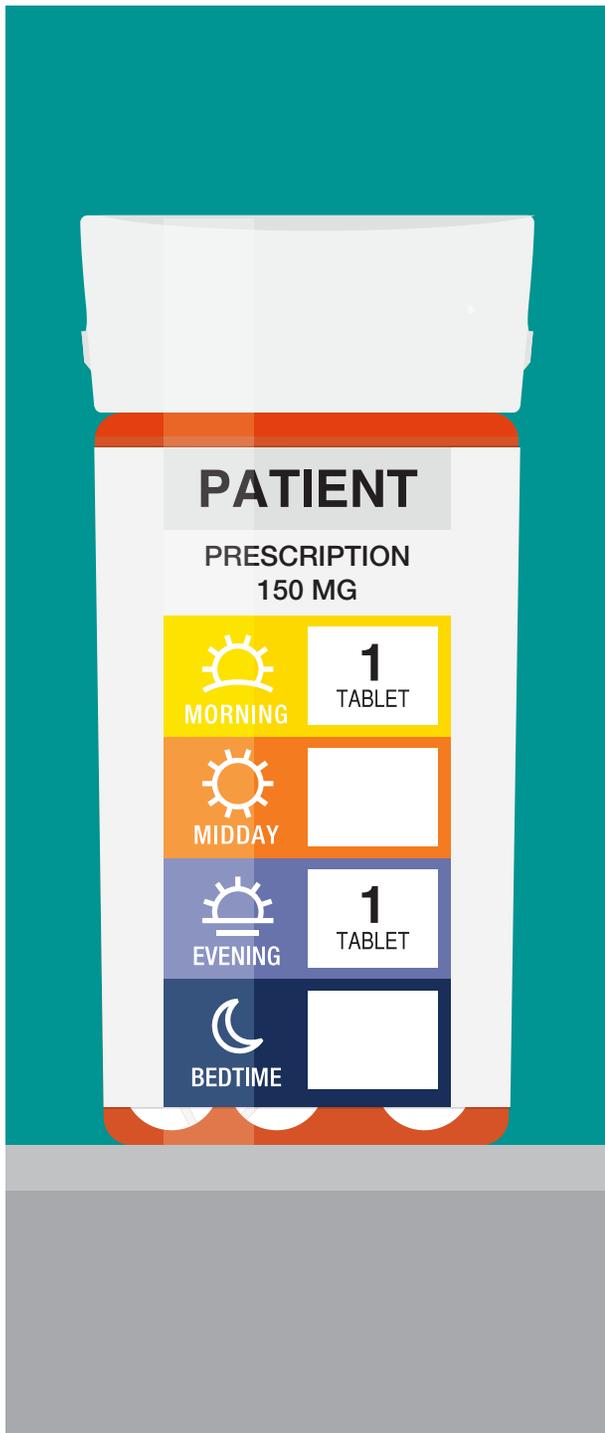
In April 2017, we unveiled a new, health-focused store design with 100 feet of new merchandise in health, beauty and food and a streamlined layout to highlight themes that make shopping easier. Even more “better-for-you” food options were added, including 27 new Gold Emblem Abound items. Healthier choices, including Essentia water, Field Trip® Jerky, and Mediterra® bars make up approximately 50 percent of all food options found throughout the store.

Additionally, products that fit nutritional and dietary preferences — including heart-healthy, good-source-of-protein, gluten-free, sugar-free, organic and non-GMO-project-verified — are highlighted with shelf tags, making it easier for customers to make purposeful choices throughout the store.

The new store layout debuted in nearly 70 new and existing stores in 2017, with plans to expand to hundreds more in 2018.

Eliminating Trans Fats

We were 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 shipped to our distribution centers were free from artificial trans fats. The move came a year and a half ahead of a U.S. Food and Drug Administration deadline for processed foods to be reformulated without artificial trans fats. On the heels of this change, we also stopped accepting national brand items that contain artificial trans fats as of July 1, 2017.



Improving Medication Adherence

It's vital for people with chronic disease to stay adherent to their prescription medications. With different dosing schedules and instructions, potential interactions, and side effects to track, taking medications as prescribed can pose a challenge for some patients.

Studies have shown that approximately half of medications prescribed for chronic diseases are not taken. Nonadherence has been called an epidemic in the U.S., contributing to poor health outcomes and costing an estimated \$290 billion a year.

We're committed to providing our patients with solutions to help them on their path to better health, and that includes medication adherence. As U.S. health care costs continue to rise, ensuring that patients are adherent to their medication is more important than ever. We believe helping patients stay adherent is one of the core components of a pharmacist's role.

We have developed a suite of adherence solutions over the past decade. In 2017, we added more tools that aim to improve adherence and health outcomes.

Personalized Scheduling Solution with ScriptPath™

Studies show that patients who take multiple medications at higher frequencies are likely to have

poorer adherence. In October, we launched ScriptPath Prescription Schedule, to provide a clear, concise, personalized dosing schedule for patients who take multiple medications.

The schedule presents all of a patient's current CVS Pharmacy prescription information in one place, including medication names, dosing, scheduling and refill information. The schedule uses easy-to-understand icons, is appropriate for a range of literacy levels, and is available in both English and Spanish.

The ScriptPath Prescription Schedule, available at all CVS Pharmacy locations, is generated by a system that draws from prescription information, prescriber's instructions and clinical data to determine a schedule of the most effective time of day to take the medications. The prescription schedule is the first offering of our ScriptPath Pharmacy Management System. Other tools, including a new prescription label, began rolling out in 2018.

In May 2017, we launched a wearable device pilot for members with MS. Beyond counting steps to measure activity, the device offers symptom monitoring, sleep tracking and a “walk test,” which helps track trends in patient mobility and balance.

Solutions for Complex Conditions

Personalized care delivered through the latest technological innovations can help to improve care for patients with complex, chronic conditions. We continue to test new programs that can improve adherence, optimize therapeutic regimens, or otherwise improve outcomes for members with complex needs.

Text Messaging

Recently we completed a messaging program for more than 1,000 new-to-therapy patients with chronic myeloid leukemia (CML). CML patients must maintain greater than 90 percent adherence in their first year after diagnosis to have their best chance at reaching remission and avoiding a bone marrow transplant. Treatment can have severe side effects, making adherence a challenge.

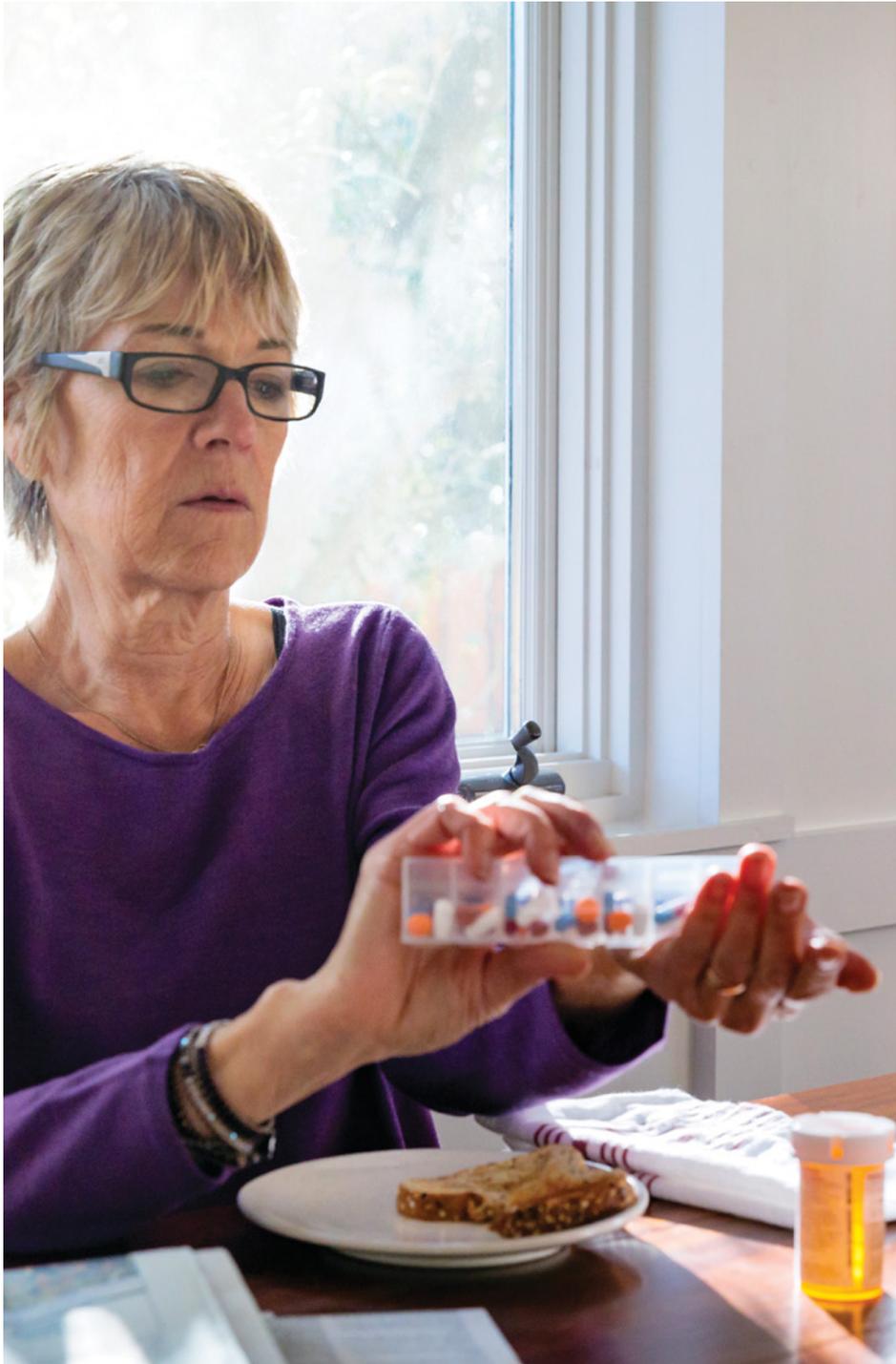
The trial offered clinical support, including side effect symptoms, adherence messages and lab testing reminders. The Care Team at the CVS Health Oncology Innovation Center reached out to patients using a text messaging tool at key points to monitor progress. Patients could ask questions about topics such as side effects, giving them a direct messaging service with access to their technician and pharmacy team at any time. Pilot participants had adherence improvements of more than 20 percentage points and a 10 percentage point reduction in first fill drop off.

Given the pilot’s success, CVS Specialty expanded text messaging to 16 additional chronic and other conditions, including cystic fibrosis, multiple sclerosis (MS) and some cancers treated with oral medications. In 2018, our messaging service will be expanded to additional therapies and for patients who have been on therapy more than a year.

Wearable Device Pilot

In May 2017, we launched a wearable device pilot for members with MS. Beyond counting steps to measure activity, the device offers symptom monitoring, sleep tracking and a “walk test,” which helps track trends in patient mobility and balance. Information from the device allows a nurse or other caregiver to identify symptom trends that may prompt early intervention and better results. The devices also feature a “help” button that enables a user to alert a friend or caregiver in case of a fall, a common concern for people with MS.

Information from wearable devices may help with coordinating care, optimizing the patient’s treatment plan, and gauging the effectiveness of therapies. We continue to explore the use of wearable technology for members with conditions such as cystic fibrosis, Parkinson’s disease and rheumatoid arthritis.



Why Is Adherence So Challenging?

To better understand what people find most difficult about managing their medications and what might make it easier, we conducted a national poll of adults who either have a chronic condition or are taking five or more prescription medications. The results shed light on what types of future pharmacy offerings and programs may help patients most.

Keeping to a dosing schedule is the most common challenge for those juggling multiple medications. Sixty-nine percent of respondents say they find this to be a challenge; 39 percent say it is the most challenging part about managing their medications.

Other common concerns include refilling prescriptions on time (54 percent) and understanding and avoiding drug interactions (47 percent). Additionally, four in 10 people find it challenging to understand when and how to take medications.

Two-thirds of respondents said phone, text or email reminders to take, refill and/or renew prescriptions would be helpful in addressing their medication management challenges. Sixty-one percent reported that a personalized daily schedule with clear instructions for when, and at what dose, to take medications would be helpful.



Improving Colleague Health

Healthy colleagues are more productive, engaged and satisfied, and that's a win for everyone: our colleagues, customers, patients and business. In 2017, we expanded the scope and availability of our free mental health services benefit and our digital wellness hub, and continued to build on the success of existing programs and employee offerings.

Controlling Health Care Costs for Colleagues

The comprehensive health benefits plan that we offer our colleagues is a high-deductible health plan coupled with a company contribution to their Health Savings Account. Colleagues with lower salaries receive higher company contributions.

Despite health care inflation and changes in premiums, deductibles and out-of-pocket maximums have been held steady in our colleague health plans since 2013. In February 2018, we announced that we would also absorb increases in employee premiums for the 2018–2019 plan year, despite medical and prescription cost increases of 5 percent year-over-year. This announcement was part of a package of wage increases and benefits enhancements that enable employees to share in the tax savings created by the U.S. Tax Cuts and Jobs Act. Others are discussed in the Leader in Growth section of this Report.

We also continued the same contributions to Health Savings Accounts (HSAs) since we introduced the plan in 2012. On average, we contribute \$1,100 annually per enrolled colleague.

We believe tax-advantaged personal HSA contributions are an important way to ensure affordable health care for all colleagues, so we established a performance target in 2016 to:

- Increase the proportion of enrolled colleagues who are investing in their HSA and their average HSA account balance by 5 percent by 2022.

The proportion of enrolled colleagues who invested in their HSA increased from 51.6 percent in 2015–2016 to 56 percent in 2016–2017, an increase of 4.4 percentage points. We attribute this progress to a robust communications program about the value of HSA contributions.

We also implemented a “value formulary” for our colleagues to encourage colleagues to use a generic drug whenever one is available. Most medications covered by the plan provide the same health benefits as more expensive options, but may cost up to 80 percent less.

Improving Mental Health and Well-Being

We’re committed to supporting all aspects of our colleagues’ health, including mental health. Our colleagues should feel comfortable

if they need to reach out for confidential help with issues that may affect their mental well-being.

In August 2017, we enhanced our Employee Assistance Program (EAP), available for all CVS Health colleagues who work more than 30 hours a week and their family members. An existing benefit — six face-to-face professional counseling sessions per person, per issue, per year — has now been made available to all colleagues and their family members, regardless of whether they are enrolled in the CVS Health medical plan. The program offers unlimited counseling by telephone.

EAP services are meant to be used not just during a crisis, but anytime, and for a variety of needs. For example:

- EAP counselors can help colleagues cope with personal and work relationships, stress, anxiety, substance use and other issues.
- Colleagues can get a free one-hour consultation with an attorney to discuss legal issues, or a financial professional to discuss financial issues.
- Work/Life Services can help colleagues search for qualified child care, elder care and more.

The enhanced EAP offers several new programs, including:

- Behavioral health coaching for people with a range of chronic illnesses.

- Tools, information and resources to care for children with an Autism Spectrum Disorder diagnosis.

- An app that helps users track, understand and improve their mood and well-being.
- Self-paced well-being programs in areas including stress management, alcohol control and smoking cessation.

Developing Personalized Care

In 2017, we continued rolling out features of STRIVE, our platform devoted to our colleagues’ total well-being, including their physical, financial, and emotional health as well as their professional success.

Our mobile app HealthConnect is a digital hub through which colleagues can connect to well-being resources to set and achieve goals. In 2017, we continued to introduce features that help to personalize the HealthConnect user experience. We also made HealthConnect available to all colleagues, not just those on CVS Health’s medical plan.

We continue to have strong participation in our fitness-based challenges, with 20 percent of eligible colleagues participating in our “Fit for the Feast” steps-based team fitness challenge leading up to Thanksgiving. We also offer incentives for colleagues and their spouses to undergo an annual free health screening and complete an online health incentive.



Patient and Customer Well-Being and Safety

Our commitment to well-being and safety begins with our patients, customers and colleagues and extends out to the communities where we operate. We are always looking for ways to leverage our unique suite of assets, national footprint, local reach and health care expertise to maximize our positive impact.

In 2017, we maintained our focus on safety and quality by taking new measures to prevent harmful drug interactions; invested \$10 million to support youth smoking cessation; revised CVS Caremark's utilization management guidelines to prevent opioid abuse; and helped our patients, customers, colleagues and communities respond to three major hurricanes.

Changing the Way We See Beauty

As one of the largest and most trusted beauty retailers in the country, we have a responsibility to think about the messages we send to our customers. In January 2018, we announced a commitment to create new standards for post-production alterations of beauty imagery for our stores, websites, social media and any marketing materials. Transparency for beauty imagery that has been materially altered will be required by the end of 2020. We also introduced the “CVS Beauty Mark,” a watermark that will be used to highlight imagery that has not been materially altered.

As part of our effort, we’ve partnered with Girls Inc., a national nonprofit dedicated to inspiring all girls to be strong, smart and bold. We want our beauty aisle to be a place where our customers can come to feel good, while representing and celebrating the authenticity and diversity of the communities we serve.

Maintain Focus on Safety and Quality

Our commitment to supporting the health and well-being of our patients is at the core of our purpose. An integral part of this commitment is ensuring that the prescriptions we dispense meet the highest standards of safety and quality. Each prescription goes through a multi-step clinical and quality assurance review by our pharmacists prior to being dispensed to the patient. In furtherance of our commitment to continuous quality improvement, we made several investments in our retail pharmacies in 2017 aimed at ensuring patient safety. We also continue to make quality improvements at our CVS Caremark PBM, improving member satisfaction and maintaining our high performance in key federal quality measures.

Stopping Dangerous Drug Interactions

In 2016, we launched an initiative to improve our drug utilization review system to protect patients against harmful drug-drug interactions. We convened an expert panel across our enterprise and industry to review thousands of interactions and reach a consensus on those that caused the greatest harm.

We redesigned our workflow so that when a patient is prescribed one of these dangerous combinations, the pharmacist is barred from overriding the warning that appears on their computer screen. Instead, the pharmacist must contact the prescriber and/or the patient to resolve the warning. This proprietary model will help to ensure that care is properly coordinated and that the pharmacist is advocating on behalf of the patient. For example, the pharmacist may ask the prescriber to write a prescription for a different drug, or counsel the patient on how to take the drug in a way that minimizes the risk of an adverse event. The model was rolled out across the enterprise in the spring of 2017.

New Tools to Prevent Dispensing Errors

We are leveraging new technology during the prescription filling process to prevent errors

resulting from drugs with look-a-like, sound-a-like names from occurring. These recent advances enable us to proactively address potential issues before they happen.

In September 2017, we implemented an upgrade to our RxConnect pharmacy system that fully integrates our early error detection system in real-time. This allows us to use natural language processing to identify potential errors and intervene before a prescription is filled.

Pediatric High Dose Monitoring Program

Also in 2017, we launched our Pediatric High Dose Monitoring Program, identifying cases in which prescribers have ordered high dosages of medications for infants or children, an especially vulnerable patient population. The risks of harm from an overdose are greater for young patients, therefore ensuring the appropriateness of higher than usual doses is important. This new program adds an additional layer of clinical review to ensure patient safety. When we identify high-dose prescriptions for pediatric patients, our Care Teams call the pharmacist to review the prescription, and if needed will contact the prescriber to discuss or recommend a change to patient’s dose.

CVS Caremark: A Commitment to Continuous Quality Improvement

As the largest pharmacy benefit manager in the country, our commitment to excellence comes to life through a comprehensive program focused on improving the quality of the services we provide through CVS Caremark. Our Quality Management Committee and Chief Medical Officer provide oversight to all quality initiatives and programs, which include our accreditations, mail operations, Specialty Pharmacy, customer care and Medicare.

Improving Member Experience

In 2017, process improvements focused on member experience and satisfaction by identifying issues that members typically experience and developing innovative solutions. For example, we receive frequent requests from CVS Caremark clients for “grace fills,” which allow members to make additional fills at their current pharmacy before switching to an in-network pharmacy. Knowing that transferring prescriptions can sometimes be a multi-step and time-consuming process, we also launched a digital prescription transfer tool to allow members to easily transfer their scripts to an in-network pharmacy, which based on their plan design, can save them money and provide all the benefits of pharmacy consolidation.

One other area that drives member experience and satisfaction is drug cost. Often members do not know the price of their drugs until they arrive at the pharmacy to pick up a prescription. Members also do not have visibility into other therapeutic alternatives that are lower-cost to them under their specific formulary plan design. In 2018, we are rolling out tools to create visibility into real-time-benefits information, so that prescribers, members and pharmacists can identify lower-cost prescription options. We are integrating our benefits and formulary information into electronic medical records systems, so that clinicians are able to

identify and prescribe lower-cost options even within their e-prescribing workflow.

Innovations like these and our constant focus on member experience have resulted in year-over-year improvement in CVS Caremark member satisfaction: In 2017, 96 percent of members were satisfied, up from 94 percent in 2016 and 95 percent in 2015.

Leading in Medicare by Delivering Service and Quality

Every day, we provide pharmacy benefits management care to approximately 13.3 million Medicare beneficiaries through CVS Caremark on behalf of more than 40 health plan clients with their own Medicare Part D plan offerings.

To help Medicare beneficiaries make more informed decisions about the coverage they purchase, the U.S. Centers for Medicare & Medicaid Services (CMS) launched the Star Rating program nearly a decade ago, with adherence to medications accounting for approximately 30 percent of the Part D Star Ratings. For 2018, one in three Medicare beneficiaries in the U.S. was enrolled in a four- or five-star rated contract managed by CVS Caremark. With a dedicated team focused on CMS Star Rating performance, we are improving adherence and improving ease of access to care, through our consultative support services, clinical programs and delegated services.

Through our own SilverScript® Insurance Company, a Medicare Part D Prescription Drug Plan serving more than 6.1 million members, we are delivering high quality care for populations that need it most. A significant portion of our members qualify for a low-income subsidy from CMS. These individuals are historically the most vulnerable and have more complex health needs. SilverScript is the largest standalone prescription drug plan, as well as the only plan serving such a high proportion of low-income members, to achieve a four-star rating from CMS.



ACCREDITED

Community
Pharmacy

Expires 08/01/2020

In 2017, our Community Pharmacy accreditation from URAC was renewed for three more years. We remain the only pharmacy chain with a URAC Community Pharmacy accreditation.



Combating Prescription Drug Abuse

In September 2017, we announced an expansion of enterprise-wide initiatives to influence opioid use that leverages both the nationwide presence of CVS Pharmacy and the capabilities of CVS Caremark, which manages medications for 94 million plan members.

New Utilization Management Guidelines

The CDC announced the Guidelines for Prescribing Opioids for Chronic Pain in 2016, which advises using the lowest effective dose of opioids for the shortest duration possible. By aligning with these guidelines, pharmacy benefit managers can play an important role in reducing the misuse of medications through tools such as drug utilization review, step therapy and prior authorizations.

Beginning in February 2018, CVS Caremark implemented an enhanced utilization management approach for all commercial, health plan, employer and Medicaid clients that follows the principles behind the CDC Guidelines. The program takes effect unless the client chooses to opt out.

The program:

- Limits coverage for the supply of opioids for certain acute prescriptions for patients who are new to therapy to seven days.
- Limits coverage for the daily dosage of opioids based on the strength of the opioid.
- Requires the use of immediate-release formulations of opioids (i.e. short-acting) before extended-release (i.e. long-acting) opioids are covered.

First-Fill Consultation

CVS Pharmacy locations will strengthen counseling for patients filling an opioid prescription with a robust program designed to highlight key principles of safely taking pain medication. Pharmacists will help counsel patients to take the lowest effective dose for the shortest duration possible, on the importance of keeping medications secure in the home, and about methods of proper disposal of unused medication. This counseling is for patients receiving their first opioid therapy. We believe these initiatives will support a reduction in opioid misuse.

We believe these initiatives will support a reduction in opioid misuse. Using commercial insurance data, we estimate that at a company with 100,000 employees, 61 employees would avoid addiction if prescriptions were reduced to align with the doses and duration of use consistent with the CDC guideline.

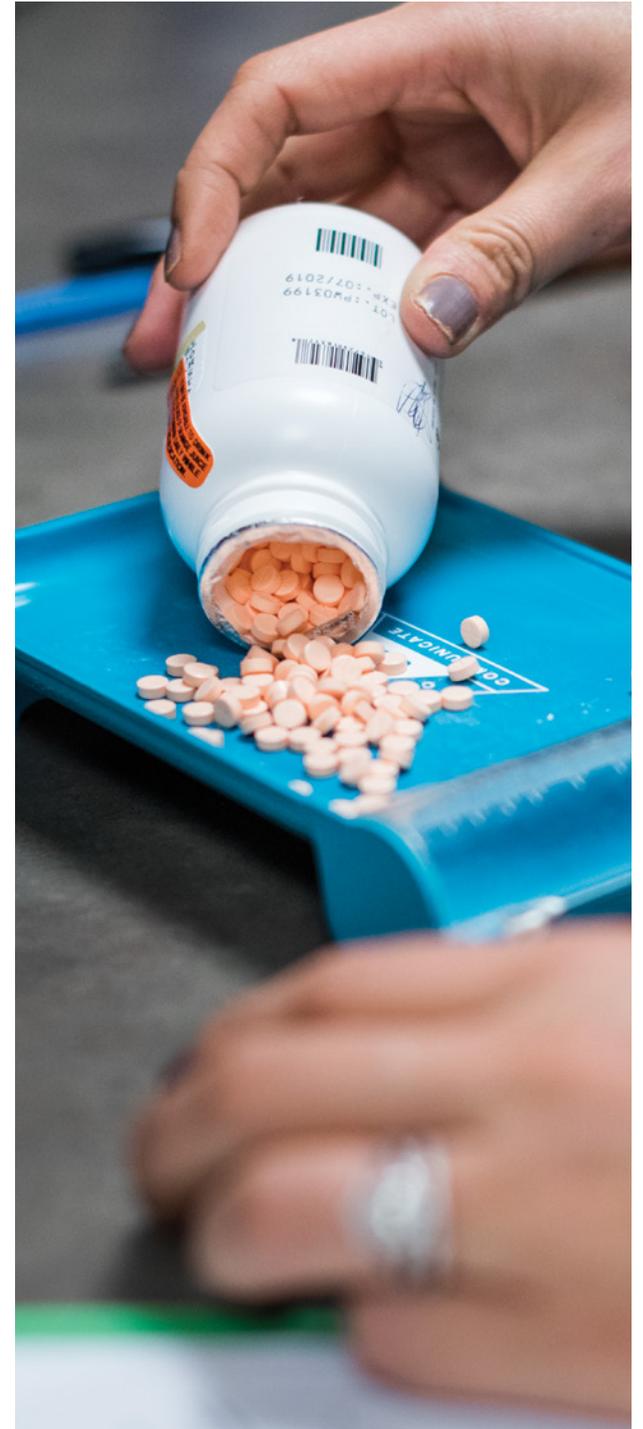
“With this expansion of industry-leading initiatives, we are further strengthening our commitment to help providers and patients balance the need for these powerful medications with the risk of abuse and misuse,” said Larry J. Merlo, President and CEO of CVS Health.

The U.S.
is the world's top
consumer of
prescription opioids



About
**2/3 of
teens**

who say they abuse
prescription drugs
get them from family
members, friends
and acquaintances



The CVS Health Foundation has also committed \$2 million to help federally qualified community health centers increase access to medication-assisted treatment and other recovery services.

Expanding Our Drug Disposal Collection Program

We have expanded our safe medication disposal program to include locations inside select CVS Pharmacy stores. Safe, secure medication-disposal kiosks are being placed inside 750 CVS Pharmacy locations across the country through mid-2018.

These in-store kiosks are in addition to the more than 850 medication disposal units that we have donated to local police departments in 43 states. More than 140 metric tons of unwanted medication that could otherwise have been diverted, misused or abused have been collected and safely disposed of through this program in the past two years.

Combating Opioid Abuse in Underserved Communities

The CVS Health Foundation has also committed \$2 million to help federally qualified community health centers increase access to medication-assisted treatment and other recovery services. These centers often operate in communities plagued by a high incidence of substance use and abuse as well as less access to care.

Together, the CVS Health Foundation and National Association of Community Health Centers (NACHC) convened a panel of experts to develop a protocol

of best practices for community health centers on provider prescribing guidelines, medication-assisted treatment, behavioral health, and collaboration with other community organizations to treat and prevent prescription drug abuse among at-risk patients. These guidelines serve as a resource for community health centers receiving grants from this partnership to provide treatment for opioid addiction.

In 2017, we funded 10 community health clinics to implement this program. We will make more grant awards in 2018.

Advocating for Legislation That Could Reduce Opioid Abuse

We also advocate for legislation that promotes opioid safety at the state and federal level. In addition to partnering with industry associations, we've also worked directly with legislators and policymakers to urge the adoption of public policies and legislation to help ease the crisis.

- Clinical evidence suggests that a longer initial period of opioid use is associated with a greater risk of addiction. CVS Health has supported legislation in states around the country that restricts the initial quantity of an opioid that can be prescribed. As of November 2017, 20 states already have taken action to limit initial prescriptions for acute conditions.

- We support legislation mandating the electronic transmission of prescriptions, which we believe would significantly reduce the likelihood of diversion through forged or fraudulent hard copy prescriptions. Federal action on this topic would be timely, as electronic prescribing of controlled substances is now allowed in all 50 states. Currently, only a reported 14 percent of controlled substance prescriptions are issued electronically. We support a House bill introduced in July 2017 which mandates electronic prescribing for controlled substances in Medicare Part D plans.

- While all 50 states use prescription data to help identify and prevent drug abuse and diversion, program effectiveness varies. A national prescription drug monitoring program would harmonize state requirements and more easily allow states to share data, which could prevent provider shopping across state lines. A national system also would set uniform expectations for health care providers and law enforcement.

- We continue to advocate for state-level legislation enabling our pharmacies to dispense naloxone, an opioid overdose-reversal drug. As of December 2017, CVS Pharmacy [made this life-saving medication available](#) without an individual prescription in 46 states.



On the Front Lines

Our Pharmacists Teach® program brings local pharmacists into communities on a volunteer basis to talk about a variety of health topics, including prescription drug abuse. Since the fall of 2015, pharmacists have been delivering our “One Choice Changes Everything®” program to students in grades 6–12 at schools, youth organizations and faith-based groups. Students learn the facts and hear stories of other teens whose lives were forever changed by their choice to abuse prescription drugs. Research shows that children who learn about the risks of drugs from their parents are up to 50 percent less likely to abuse them. We’ve learned that many parents who have discussed the dangers of alcohol or street drugs with their children had not spoken to them about prescription medications, and in some cases, parents themselves are not fully aware of the dangers. In 2017, we launched “Prescription for Parents” to complement our teen program.

Prescription for Parents helps parents understand the consequences of prescription drug abuse, identify signs of abuse, and talk to their children about the issue. The curriculum was developed with the help of pharmacists as well as parents whose children had abused prescription drugs.

In 2016, we developed a new target for pharmacist community outreach to:

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

Since the inception of Pharmacists Teach in the fall of 2015, we have delivered more than 7,300 presentations to nearly 350,000 students and 25 presentations to nearly 600 adults. The presentations have occurred in 45 states, the District of Columbia and Puerto Rico.

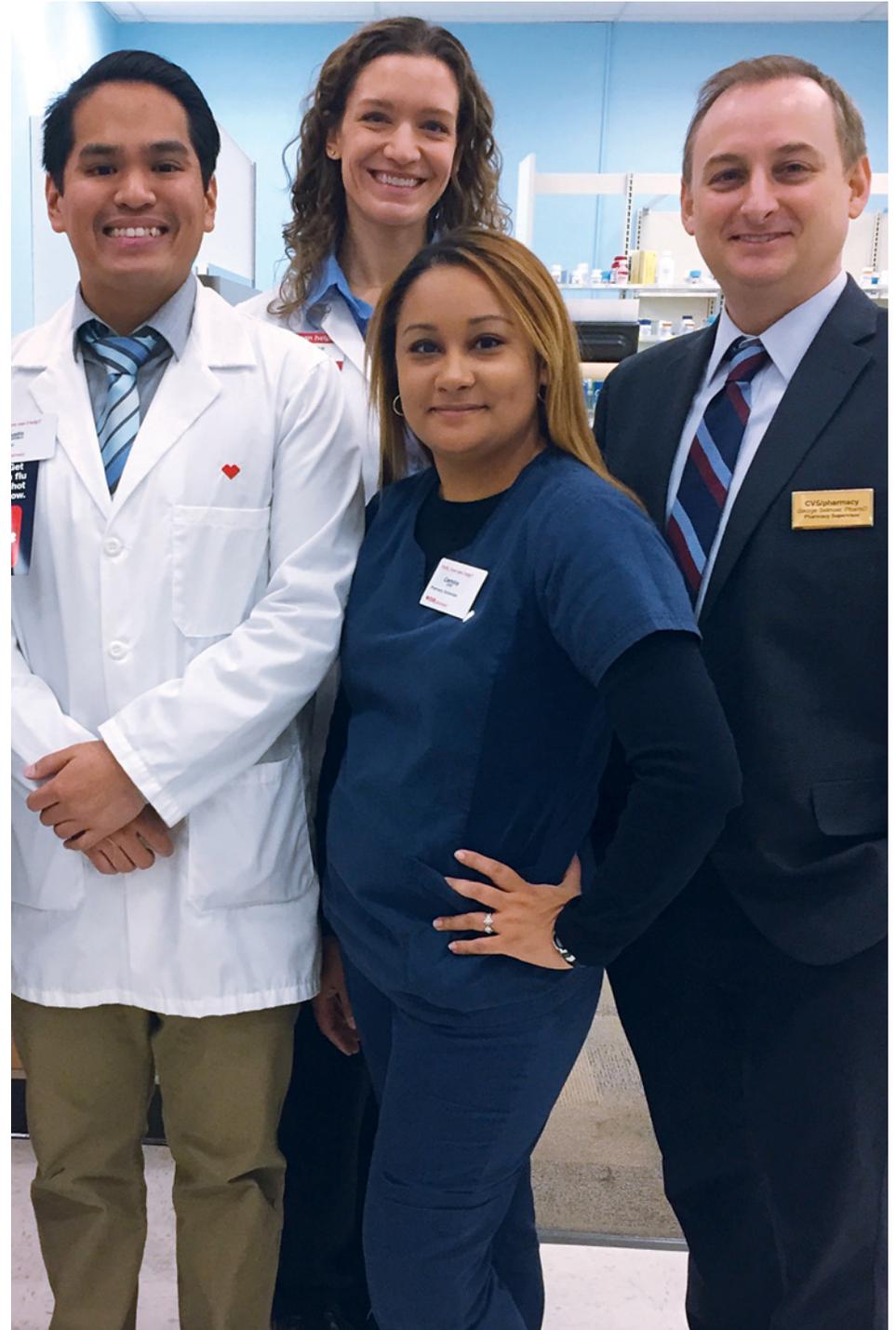
Changing Lives, Saving Lives

Many of our pharmacists bring a deep passion to their Pharmacists Teach volunteering, one that helps them find more meaning in the work they do each day.

“As pharmacists, counseling is part of what we do every day. However, this experience took that to an entirely new level. This became apparent when the students had a chance to guide the discussion at the end of the presentation by asking questions and describing their own personal experiences with addiction with me. Some of the students had personal struggles and did not know where to get help while others were interested on how to help a friend. I even had one student who confided in me that her parents had issues with addiction and she did not know what to do. There were many raw and emotional moments like these that touched me.

This program reaches people who wouldn't necessarily seek you out. It didn't matter whether I was in a wealthy suburb or a school with students from families struggling to make ends meet. I found that I could impact a large number of people and make a significant difference in their lives. I hope and believe I saved at least one person's life. That is very powerful and I feel a new sense of purpose as a pharmacist.”

—George Selmsler, Pharmacy Supervisor,
Houston, TX



Lawrence General Hospital
Laboratory and Radiology Services

CHC

Greater Lawrence

A Community Health Center Fights Back

Drop Off
Pick Up


RESERVED
PARKING
FOR
HANDICAPPED



Along the banks of the Merrimack River in northern Massachusetts, the city of Lawrence rose to prominence at the height of the Industrial Revolution. Today, the city continues to be a hub for manufacturing, as well as a vibrant and diverse community of about 80,000 residents. And like so many cities and towns across the state and country, the community has grappled with the devastating effects of the opioid crisis. In Massachusetts, nearly six opioid-related deaths occurred each day in 2016.

“Many, many people have been touched by it in some way. A lot of people know someone that has struggled with drugs or alcohol, particularly opioids. A lot of people unfortunately have known someone who has died. Certainly almost all of us have had patients that have died of an overdose,” says Dr. Stephen Bittenwieser, a faculty physician at the Greater Lawrence Family Health Center (GLFHC). “Working in health care, we see a lot of people who are hospitalized because of opioids and babies that are born dependent on opioids.”

Dr. Bittenwieser has been treating patients at the GLFHC for nearly 20 years. The health center provides care to more than 60,000 patients across six clinic locations, two school-based health centers and a mobile health unit. Many of its patients have sought help for addiction at some point in their treatment at the clinic, which also provides medication-assisted addiction treatment. Medication-assisted treatment is primarily used for the treatment of addiction to opioids like heroin and prescription pain relievers that contain opiates. Physicians prescribe a patient medications which are used with counseling and behavioral therapies to provide a holistic approach to the treatment of substance use.



“For me, helping take care of people who are struggling with addiction has been one of the most gratifying parts of my professional career. Some of my patients that I have known for a long time turned out to have a difficulty with addiction. I have a few that I’ve been able to help stabilize. I knew them before they started having a lot of trouble, and have now gotten to stay with them as they have rebuilt their lives, and reunited with their families,” he continues.

With a grant of more than \$80,000 from the CVS Health Foundation, the team — made up of physicians, clinical pharmacists, behavioral specialists and IT professionals — developed a robust protocol that will train all clinicians, nurses and medical assistances on the screening, brief intervention and referral to treatment (SBIRT) approach to addiction. SBIRT is an evidence-based practice used to identify, reduce and prevent misuse and abuse of alcohol and drugs. They’ve added education around safe prescribing practices, and incorporated substance abuse screening tools into their electronic medical records.

“One of the really unique things here at the health center is the relationship the pharmacists get to have with the clinicians and other health staff,” says pharmacist Alexia Sroka, a member of the collaborative team at GLFHC. “It’s a really close relationship. We share the same patients. We work together toward a common goal.”

With so many of their colleagues having similar patient experiences, Dr. Butenwieser and other physicians at the GLFHC knew that more could be done.

Sensing this urgent need to enhance support for patients struggling with addiction, a team formed at the clinic to identify solutions.

Since receiving the grant in early 2017, the team at GLFHC is already feeling the impact.

“Helping take care of people who are struggling with addiction has been one of the most gratifying parts of my professional career.”

“The CVS Health Foundation grant has really helped me and my colleagues better understand the benefits and risks of prescribing opioid medication,” Dr. Butenwieser says. “It has given us the tools to talk with each other and our patients about some of those risks. I feel like a more sophisticated provider because of the grant.”

Dr. Butenwieser continues: “I’m hopeful that, as we better learn how to most appropriately prescribe opioids and expand access to treatment options for opioid addiction and dependence, we’ll be able to turn the tide and reduce the burden of this problem in our patients and our community.”

Tobacco-Free Lives

Despite an overall decline in smoking rates over the years, smoking remains the leading cause of preventable death in the U.S. Cigarette use is responsible for about 1,300 deaths each day; more than 16 million Americans are living with a disease caused by smoking.

In 2014, we became the first — and are still the only — national pharmacy chain to remove tobacco products from our stores. A study published in February 2017 provided further evidence that our decision has helped to reduce smoking in the communities where we operate. Our commitment to reducing tobacco use continues through the smoking cessation counseling offered by our providers, the cessation products offered by our retail stores, and our ongoing philanthropic commitment to invest in partners helping people lead tobacco-free lives.

Delivering the First Tobacco-Free Generation

Each day more than 3,200 youths aged 18 years or younger smoke their first cigarette, and about 2,100 youths and young adults become daily smokers. The evidence suggests that if individuals remain non-smokers during adolescence, they will likely never start using tobacco. That's why, in 2016, we launched Be The First — a five-year, \$50 million commitment to help deliver the nation's first tobacco-free generation.

In 2017, we invested \$10 million in education, advocacy, tobacco control and healthy behavior programming in partnership with organizations positioned to address this public health challenge.

Helping Colleges Go Smoke- and Tobacco-Free

Virtually all smokers start smoking before the age of 26, which is why college and university campuses are critical for preventing young adults from starting tobacco use and helping young tobacco users quit. In 2017, we expanded our partnership with the American Cancer Society and Truth Initiative to

help colleges and universities achieve 100 percent smoke- and tobacco-free campus policies. We awarded \$1.2 million in grants to 126 schools across the country in 2017, including:

- 43 major academic institutions, including Stanford University and the University of Pittsburgh
- 34 Historically Black Colleges and Universities (HBCUs), including Morehouse College and Winston-Salem State University
- 49 community colleges, including City College of San Francisco and Community College of Philadelphia

Our expanded partnership with the Truth Initiative focuses on HBCUs and community colleges because a disproportionate amount of the \$9.1 billion the tobacco industry spends on marketing in the U.S. each year is targeted at African-Americans and low-income communities.

We awarded \$1.2 million in grants to 126 schools across the country in 2017, including:



43

Major academic institutions



34

Historically Black Colleges and Universities (HBCUs)



49

Community colleges

As of October 2017, 2,064 campuses were smoke-free, of which 1,736 are also tobacco-free.

Currently a relatively low number of HBCUs and community colleges are tobacco-free, yet these schools tend to serve populations that are at higher risk of engaging in tobacco use and experiencing its negative effects. In fact, low-income students with an associate degree are almost twice as likely to smoke compared to the other students with an undergraduate degree.

Smoke- and tobacco-free campus policies have garnered widespread support. In a survey we co-commissioned in 2017, three-quarters of adults said that smoking and tobacco use is a problem among college students. Nearly half of college students and parents of college students said they believe tobacco-free campus policies help reduce tobacco use. More than three-quarters of respondents supported policies that prohibit smoking indoors.

Yet many campuses still permit tobacco use. There are approximately 4,700 U.S. colleges and universities, many of which have more than one campus. As of October 2017, 2,064 campuses were smoke-free, of which 1,736 are also tobacco-free.

Other Partnerships To Reduce Youth Tobacco Use

We support many other programs designed to educate youths and encourage healthy behavior:

- **Taking Down Tobacco** A new youth advocacy training program created by the Campaign for Tobacco-Free Kids educates and engages middle- and high-school students through free online and in-person training. The program teaches youths the skills they need to advocate for change in their communities, including how to work with the media,

community leaders and elected officials. It also prepares adults to train youth advocates.

- **Tobacco Prevention Toolkit** This free, online curriculum, designed by professors and educators at Stanford University, can be adapted to all types of educational settings. The Toolkit helps students understand basic information about tobacco products (including e-cigarettes/JUULs), learn about the strategies manufacturers use to increase tobacco use, and gain skills in refusing tobacco use.
- **smokeSCREEN** In this videogame app developed by Yale University's Center for Health and Learning Games, players face challenges and make decisions about friends, offers and situations that bring different risks and benefits. Based on behavior change theories and developed with input from hundreds of adolescents, the game allows players to see the effects of choices they make. Together, the Toolkit and the smokeSCREEN app are expected to reach more than 200,000 adolescents per year through schools and other youth-serving organizations.
- **CATCH My Breath** The CATCH Global Foundation received a three-year grant from CVS Health to bring its youth e-cigarette prevention program to middle and high schools nationwide free of charge. CATCH My Breath is the first program specifically designed around preventing the use of e-cigarettes and other vaping products like JUULs, which have become the most commonly used tobacco product among youth and young adults. Already used by some of the nation's largest school districts, the program is on track to reach 200,000 students annually by 2020.

Partnering to Combat Tobacco Use

We continue to partner with other organizations that are leading the fight against tobacco use and its consequences:

- For the fourth year, we supported LUNG FORCE, a nationwide initiative by the American Lung Association to support lung cancer research. In May 2017, CVS Pharmacy raised \$4.5 million through an in-store fundraising campaign for LUNG FORCE.
- In 2017, we awarded \$1 million in grants to eight cancer centers to build or expand smoking-cessation programs among cancer patients. These programs are needed because studies demonstrate that cancer patients continue to crave tobacco after treatment. Some continue to smoke even though smoking can reduce the chances of successful treatment.
- In October 2017, we launched our fourth-annual in-store fundraising campaign to benefit Stand Up to Cancer and its efforts to accelerate the pace of cancer research. Stand Up to Cancer has been an early and major funder of immunotherapy research, which is showing remarkable results in children and adults for whom other treatments have stopped working. CVS Health colleagues and customers have raised more than \$15 million for Stand Up To Cancer since 2014.
- We donated \$580,000 to Easterseals® to support smoking-cessation and access to health care for veterans and military families. About three-quarters of that sum will go to smoking cessation programs, and the rest to other health and wellness programs.

Progress Toward 2020 Goals

After we removed tobacco products from our retail store shelves and committed to inspiring a tobacco-free generation, we established four ambitious 2020 targets to guide our actions and measure our progress. Here is a progress report on these targets, which we are helping to advance, as of the end of 2017:

2020 Goal:

10%
Decline in new
youth smokers

Progress to date:

8%
Reduction from
2015 to 2016

2020 Goal:

2X
The number of
tobacco-free
universities

Progress to date:

128
New institutions
tobacco-free with
our support

2020 Goal:

3%
Decline in the national
youth smoking rate

Progress to date:

1.3%
Decline

2020 Goal:

5M
Youths reached
with tobacco-free
messaging

Progress to date:

4.4M
Reached



Supporting Our Communities in Times of Disaster

Impact of 2017 Hurricanes

97.8K

Colleagues impacted

3.8K

Locations at risk

10

Retail locations
closed long-term

1.2K+

Retail locations
closed short-term



\$11M+

In support provided by the CVS Health Foundation, CVS Pharmacy, colleagues and customers for relief and rebuilding efforts



\$5.2M+

paid in employee wages to colleagues impacted by location closures

The number and severity of natural disasters were unprecedented in 2017. The Atlantic hurricane season resulted in more than \$200 billion in damage in the U.S., making it the most expensive in our country's history. Millions of Americans were asked to leave their homes and hundreds of thousands of households were left without a home to return to. In Northern California, more than 250 square miles were burned by the deadliest fires in the state's history.

Our commitment to supporting our communities is unwavering in times of disaster, as we work to ensure the health and safety of our colleagues and access to continuous, quality care for our patients. In times of crisis in 2017, our colleagues' commitment and our organization's vast operational capabilities came to life. We took many measures — before, during and after the disasters of 2017 — to protect our patients, customers and colleagues. We also continued to improve our ability to track risks and maintain or restore critical operations after a crisis.

- August 25: Hurricane Harvey makes landfall along the Texas coast; displaces more than 1 million and damages ~200,000 homes in a path stretching for more than 300 miles.
- September 10: Hurricane Irma makes landfall in the Florida Keys as a Category 4 hurricane, with sustained winds of at least 130 mph; causes more than \$50 billion in damage throughout the Southeast.
- September 20: Hurricane Maria devastates much of Puerto Rico; leaves nearly half of residents without power three months later.

Before: Getting Our Patients the Medications They Need

As the hurricanes approached, we sent out automated calls, mobile app alerts, and text alerts to patients in the path of the storms who had opted in to

CVS Pharmacy's automated notification programs. These messages remind patients to check their medication supply prior to a weather event and alert them about nearby store openings and closings.

With our Customer Care and Pharmacy Help Desk prepared to assist members, we issued 60,000 overrides to ensure members had medication on hand in case of disruption. Our retail and CVS Caremark pharmacists were authorized to provide a one-time 10-day emergency supply of medication for patients in affected areas. Patients with complex, chronic conditions that need specialty medications are especially at risk from natural disasters. Using our secure, two-way text messaging platform, we were able to deliver medications to patients in transition between homes and shelters.

We also stocked stores with hurricane kits with emergency items such as water, batteries, flashlights and first aid supplies. Finally, we took a number of measures to ensure the safety of our colleagues and secure our stores.

During: Maintaining Operations and Deploying Temporary Solutions

During and after a disaster, patients need access to health care and medication. In the aftermath of Hurricane Harvey, we deployed a mobile pharmacy unit outside the NRG Center in Houston and "pop up" pharmacies at emergency shelters in Austin, Dallas and San Antonio. CVS Pharmacy filled one-time emergency prescriptions of up to 30 days for shelter residents who were displaced or without their medication.

We are committed to ensuring that our retail, specialty and mail order pharmacies are capable of fulfilling prescriptions in the wake of disasters. In the case of all three hurricanes, we coordinated the delivery of critical and life-sustaining medicine to patients in need.



Our engineering standards include redundant power, heating, ventilation and air conditioning (HVAC) systems, and refrigeration capabilities for all facilities we deem critical to facilitate continued operation during disasters. Our retail stores, data centers and pharmacies all fall under the critical category. These facilities typically have two generators, a redundant HVAC system and additional cooling capacity. Many of our call centers, corporate buildings and other facilities have significant redundancy as well.

In 2017, we obtained four mobile “clean rooms.” These rooms, which allow pharmacists to compound personalized medications in a sterile environment, can be deployed as a disaster response measure. Finally, we prioritize and deploy mobile generators as needed to allow for our stores and pharmacies to continue operations.

After: Post-Disaster Assistance and Rebuilding

Thousands of our colleagues were affected by the disasters of 2017, losing homes, cars and other personal possessions. Most of our colleagues in Puerto Rico lacked electricity and basic necessities for a prolonged period. The CVS Health Employee Relief Fund (ERF) is a public charity designed to help CVS Health colleagues during emergencies like these. Primarily funded by donations from colleagues through payroll deductions and CVS Health, the ERF provides

tax-exempt grants of up to \$3,000 for colleagues in need. Recognizing the need for immediate relief, in 2017 the ERF began offering \$1,000 emergency grants through a simplified and expedited application process for colleagues impacted by the 2017 hurricane season. These grants were distributed through the automated payroll process, so colleagues received funding within three days of application approval.

We also joined with our customers and colleagues to help impacted communities rebuild. Our customers and colleagues donated nearly \$4 million to support communities affected by the hurricanes through an in-store fundraising campaign. CVS Health contributed \$6 million worth of products and supplies, in addition to more than \$300,000 in donations through the CVS Health Foundation, bringing the total value of our support to \$11 million. The funds supported first responders and organizations committed to rebuilding communities, including Unidos por Puerto Rico, the Rebuild Texas Fund and the Florida Disaster Fund.

Our primary goal in times of disaster is to provide the support needed within 24–48 hours and work with those first responders who are making a difference on the ground in impacted areas.

Enterprise Response and Resiliency

Even as we responded to several events in 2017, we continued to build our long-term ability to anticipate, respond to, and recover from events

that might occur in the communities we serve. Our Enterprise Response and Resiliency team assesses risks and plans response to protect our colleagues, patients and physical assets and to continue delivery of important products and services across our enterprise.

In 2017, we expanded our Enterprise Threat and Risk Event Monitoring capability to better track situations that may impact colleagues, business operations and our supply chain. As part of that effort, we refined our approach by establishing a 24/7 operational team that actively monitors threats and developed standardized frameworks around disseminating information to key business partners during emergencies.

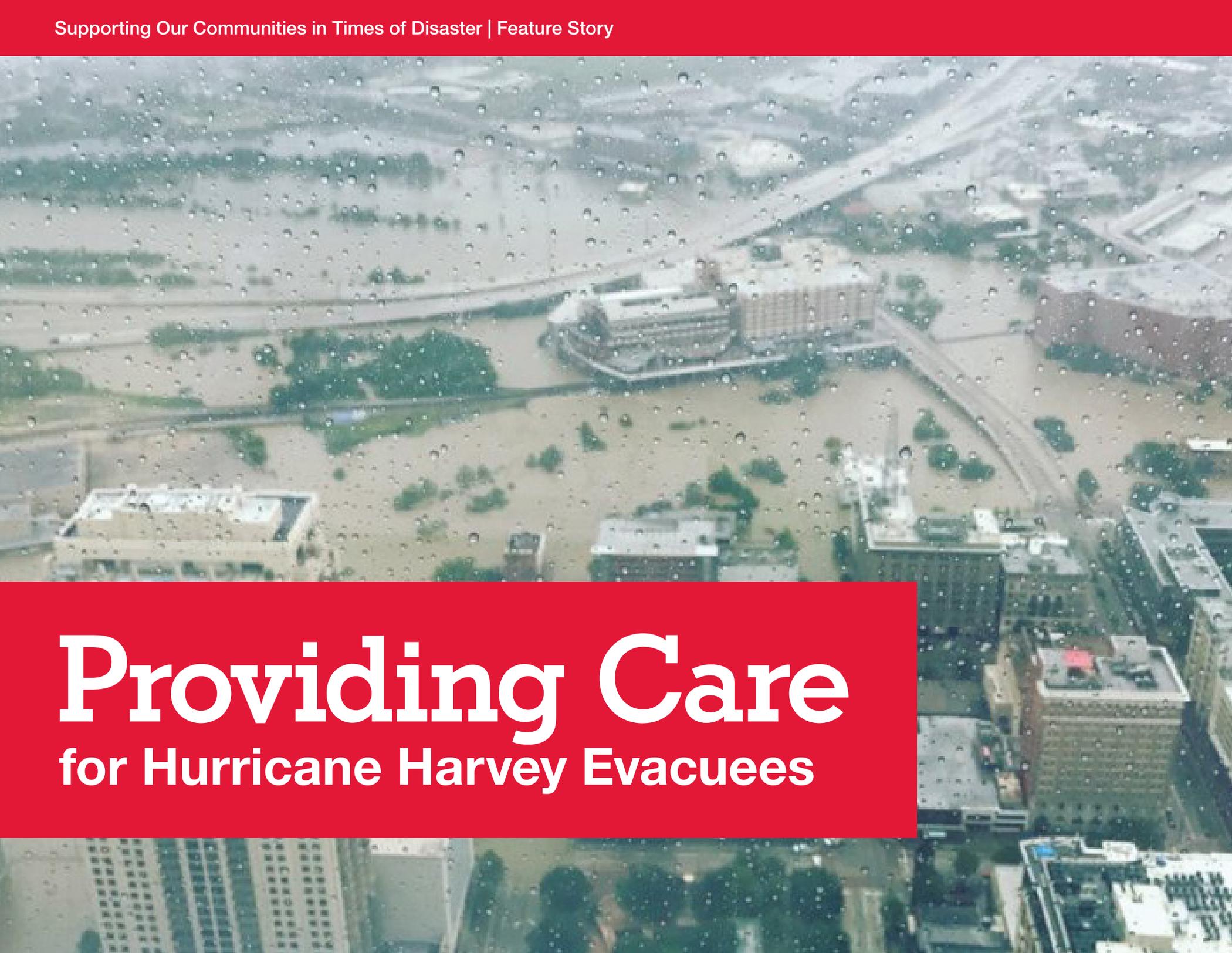
Among our other response and resiliency activities in 2017, we:

- Expanded comprehensive Specialty Mail Order contingency plans for all site operations.
- Implemented a project to provide 15 alternate work locations for colleagues across the enterprise.
- Conducted an exercise for key leadership simulating a loss-of-data center disaster.
- Completed development of 15 site-incident management plans for corporate locations in Texas and Arizona.

Our Response to Hurricane Maria

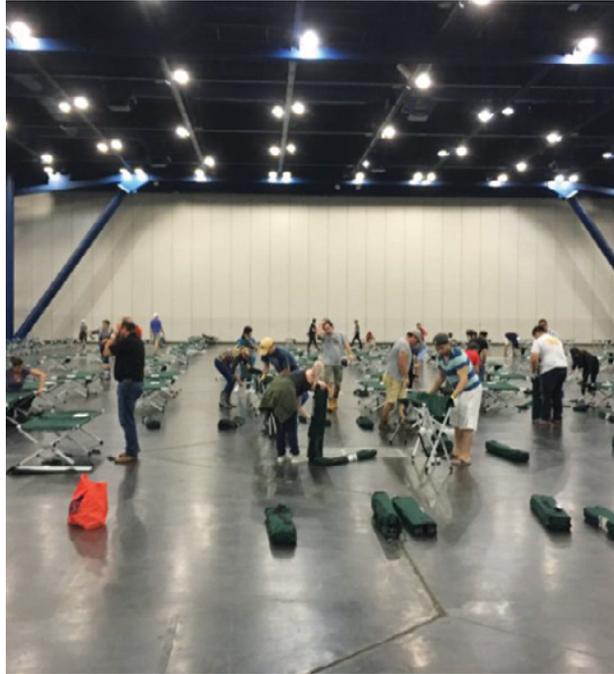
In Puerto Rico, which has faced electrical unreliability, all of our stores have generators. As a result, 23 of our 25 Puerto Rico stores were open within one week of the storm. Our colleagues took extraordinary steps to assist Puerto Rico:

- With no airlines or delivery services flying in or out, we used private planes to fly medications to our Puerto Rico stores to dispense to patients with complex conditions.
- We sent a barge filled with water and other supplies for colleagues and customers.
- Drivers waited in five-hour-long fuel lines to keep medication deliveries and generators going.
- For patients who lost power and who were living near a CVS Pharmacy, staff offered to store medications that required refrigeration.

An aerial photograph of a city, likely Houston, Texas, showing extensive flooding. The water is a murky brown color, covering large areas of the city and surrounding regions. In the center, a large, multi-story building is partially submerged. The foreground shows several smaller buildings and parking lots, some of which are also flooded. The sky is overcast and grey. A large, solid red banner covers the bottom half of the image, containing white text.

Providing Care

for Hurricane Harvey Evacuees



Justin Koch had only lived in Houston for two months when Hurricane Harvey made landfall along the Texas coast. He was walking his dog in the rain when he saw trucks full of evacuees making their way to the George R. Brown Convention Center for shelter. With his own home unaffected, seeing the human impact of the storm shook him.

As a Regional Support Pharmacist, Koch had been participating in regular enterprise crisis response calls in which managers tracked the health and safety of their staff and braced their stores for impact. But seeing the trucks full of Texans fleeing for safety moved him to find out what else he could do to help.

Koch arrived at the NRG Center, a convention center-turned shelter, as the hurricane was still lashing the city. In the shelter's makeshift medical area, "They had twenty independent physicians working as volunteers and twenty or thirty nurses, but no medications," says Koch. "And there was a lot of need."



There was no time to waste. Koch and four colleagues secured a table and covered it with a CVS Pharmacy tablecloth. As patients were triaged through the medical area, the team began calling prescription requests in to nearby CVS Pharmacy locations and picking them up using their own cars. A steady rotation of volunteer pharmacists and pharmacy technicians — including one who was herself an evacuee — started working 12-hour shifts at the "pop-up" pharmacy. The "wheel and spoke" model of filling prescriptions at nearby stores emerged naturally in response to the needs of the shelter. Koch and his colleagues called in prescriptions, trained volunteers, and called in IT support to formalize procedures.

As the point person on the ground, Koch spent hours each day coordinating with CVS Pharmacy operations, schedulers, and regulatory and legal departments to ensure much-needed medications and vaccines were being provided to patients without red tape.

“We really needed to take care of patients, and no one ever told us ‘No,’” Koch said. “It was always, ‘How can we help?’”

Thousands of evacuees with chronic disease arrived at the center without any medications. There was also a tremendous need for vaccines. Evacuees who had touched floodwaters required Tetanus, Diphtheria, Pertussis (TDAP) vaccinations to protect against potentially life-threatening bacterial disease, and at one point the shelter grappled with an outbreak of the flu. Two other CVS Health colleagues — one a pharmacist and one a technician — set up a booth in the general population area of the NRG Center to provide vaccinations to evacuees who weren’t proactively seeking medical care.

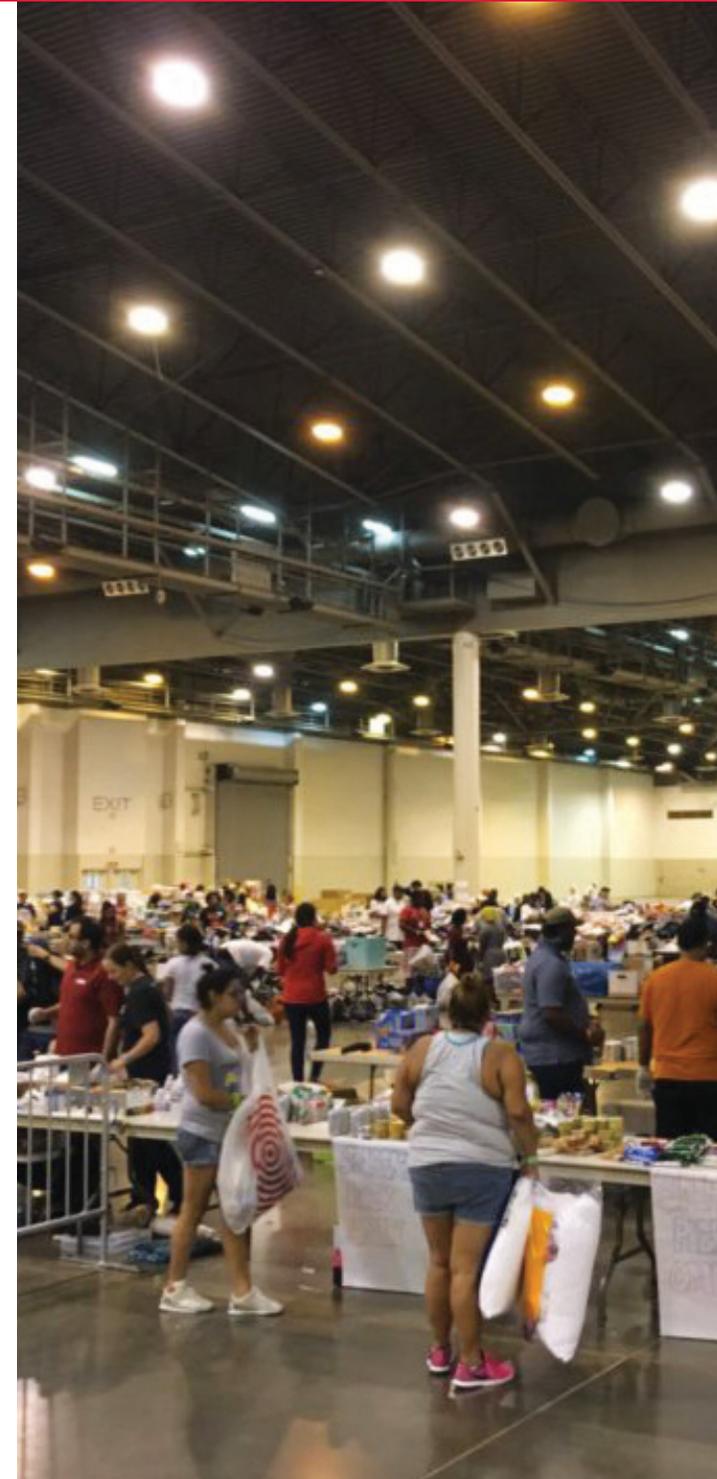
Pharmacies received authorization from the state Department of Health for shelter residents to receive one-time emergency prescriptions of up to 30 days, free of charge. With the help of colleagues from throughout the region, residents received all the medications and vaccines they needed. At NRG Center, from Aug. 29 through Sept. 22, the team dispensed more than 3,000 prescriptions, including about 1,300 vaccinations.

“They had lost everything, but they were thankful we were there to provide their medications,” Koch says.

Soon, CVS Pharmacy had set up pop-up pharmacies inside the George R. Brown Convention Center Houston’s other major shelter — and at shelters in Austin, Dallas and San Antonio. By Sept. 5 a mobile pharmacy unit — a trailer containing a mini-pharmacy, supplies and snacks — had been set up outside the NRG Center.

**“No one ever told us, ‘no.’
It was always, ‘How can
we help?’”**

As the response wound down, Koch and his colleagues Arun Luke and Brinda Patel documented the best practices they had gleaned from setting up and managing a pop-up pharmacy. They were able to review the best practices with teams in Florida in advance of Hurricane Irma. CVS Health’s Emergency Response and Resiliency team has incorporated these best practices into a new action plan for pop-ups for use in future emergencies.





Planet in Balance



Planet in Balance

We believe there is a strong connection between human health and the health of our planet. That is why our commitment to environmental sustainability focuses on assessing and reducing the direct and indirect impacts of everything we do, including our operations, products and supply chain.

As part of our commitment to helping people on their path to better health, in 2017 we continued to advance sustainability initiatives and follow through on our [Environmental Commitment and Climate Change Policy Statements](#). It's a collaborative effort that engages company leaders, our colleagues, supplier partners, industry peers and NGO and advocacy groups.

Our progress in 2017 spanned the areas of energy use, water use, and sustainable products and packaging. We worked with business partners and colleagues to maximize our efforts, and with third-party organizations to validate our progress and help inform current and future initiatives.

Top Accomplishments in 2017



Submitted science-based emissions reduction target for approval from the Science Based Targets initiative



Removed chemicals of consumer concern across nearly 600 store brand beauty and personal care products



Achieved a 30% reduction in carbon intensity, compared to 2010 baseline

Planet in Balance: Priorities and Progress

Strategic Priorities	Goals	Highlights in 2017
<p>Sustainable Operations</p>	<p>Reduce the environmental impacts resulting from our operations</p>	<ul style="list-style-type: none"> • 30% reduction in carbon intensity from 2010 baseline • 5% reduction in electricity usage from 2016 • Reduced fleet travel by about 1 million miles due to improved routing software • Diverted 47.9% of our waste to recycling or reuse • Value of product donations increased about 27%
<p>Sustainable Products and Packaging</p>	<p>Increase the availability of healthy and sustainable products</p>	<ul style="list-style-type: none"> • Announced removal of parabens, phthalates and the most prevalent formaldehyde donors across nearly 600 store brand beauty and personal care products • Published full list of restricted ingredients in store brand products • Completed label claim validation on all store-brand products
	<p>Improve the sustainability of our supply chain</p>	<ul style="list-style-type: none"> • 93% of the paper we use is sustainably sourced
<p>Internal and External Engagement Around Our Sustainability Vision</p>	<p>Increase opportunities for engagement with stakeholders (colleagues, customers, clients and partners) around sustainability through volunteerism, training, education and dialogue</p>	<ul style="list-style-type: none"> • Our colleagues logged 4,000 green actions on our online volunteering portal



Sustainable Operations

With an enterprise footprint that includes more than 9,800 retail locations, 22 distribution centers, numerous field offices and a fleet of more than 2,500 delivery vehicles, we embed sustainability throughout our operations to minimize our environmental impact and increase cost savings.

Energy usage and greenhouse gas (GHG) emissions remain our most significant environmental impacts due to our expansive store footprint and distribution network, while water use and landfill waste comprise significantly smaller impacts. Our work to operate sustainably prioritizes reduction of our carbon intensity and energy use, improved efficiency of our transportation fleet, waste reduction and water conservation.



100%
of new stores' interior
and exterior design
use LED lighting



37K
gallons of fuel saved
through idle time
reduction initiatives

5%
reduction in
electricity usage





Controlling Our Major Sources of Greenhouse Gas Emissions

Our greatest opportunity to address our climate-related impacts is through reductions in greenhouse gas emissions (GHG). To ensure our actions are aligned with current climate science, in 2017, we worked to establish a science-based emissions reduction target.

Emissions reduction targets are considered science-based if they are in line with the decarbonization required to keep global temperature increase below 2 degrees Celsius compared to pre-industrial temperatures, as described in the Fifth Assessment Report of the Intergovernmental Panel on Climate Change. Our focus in 2017 was on determining how to define, track and validate our target, including evaluation of reduction methodologies and costs. At the time of this Report's publication, we had submitted our target for approval by the Science Based Targets initiative, a collaboration of CDP (formerly the Carbon Disclosure Project), World Resources Institute (WRI), the World Wide Fund for Nature (WWF), and the United Nations Global Compact (UNGC). We plan to announce our science-based target by June 2018.

As part of this work in 2017, we also worked with our largest suppliers to expand Scope 3 emissions data collection. Most of our top suppliers have a stated GHG reduction goal, and several have established science-based targets, or have committed to doing so.

We also continued to work to reduce our GHG emissions. Our existing 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. In 2017, we achieved a 30 percent reduction in carbon intensity against a 2010 baseline. Our original goal, established in 2010, was to reduce carbon intensity by 15 percent. We achieved that goal in 2015, three years ahead of schedule.

We attribute reductions in 2017 to store efficiency initiatives like lighting upgrades, as well as the work we've done to embed sustainability into new construction. More information on these initiatives are included throughout this section of the report.

Please see the [Appendix](#) for a detailed analysis of trends in our GHG emissions, energy use and water use.

Electricity and Natural Gas

Electricity accounts for about four-fifths of our carbon footprint. In 2017, we used 2.7 million megawatt hours (MWh) of electricity, a 5 percent reduction from 2016.

Our use of natural gas in 2017 increased by 7 percent, likely as a result of a cold weather snap in the fourth quarter of the year. The contiguous U.S. experienced a 22 percent increase in heating degree days (HDD) between 2016 and 2017. HDD is a measure that indicates the overall heating demand required to heat a building.

Lighting Retrofits

The use of LED lighting reduces our total energy use and our carbon footprint once installed. In 2017, we continued to execute on the LED interior lighting conversion strategy we established in 2015 for our retail locations, and also implemented a conversion program in our distribution centers and other facilities. To date, we have retrofitted more than 7,180 retail locations, realizing a cumulative savings of more than \$30 million. We plan to complete installing LED interior lights in all retail locations by 2021.

We retrofitted eight distribution centers with LED lighting in 2017, realizing an estimated \$1.8 million return on investment. By the end of 2018, we plan to finish retrofitting all distribution centers, and estimate an annual return on investment of approximately \$1 million once fully implemented. Our Kansas City, MO distribution center is scheduled to open in 2018 and will have LED lighting throughout.

Also in 2017, we completed an LED lighting retrofit at our Scottsdale, AZ corporate campus, which included more than 6,000 fixtures. Maintenance savings of these efforts will average \$100,000 a year for the first five years, and lighting consumption is down nearly 70 percent.

In 2018, we will begin installing LED exterior lighting at our existing retail locations. We expect to complete several hundred exterior light installations in 2018. LED lighting is now installed in the interior and exterior areas of all new stores and is part of our new building standards.

Reducing Energy Use in Retail Locations

Our Energy Management System (EMS) helps us drive energy efficiency by controlling lighting, heating, ventilation and air conditioning (HVAC) from a central location. About 95 percent of our retail locations are on our EMS; the remainder use

temperature or lighting controls designed to increase efficiency. In 2017, we applied our standard operating guidelines across all retail locations to achieve a significant reduction in energy consumption. As part of our new building standards, the HVAC units we install in new buildings and the ones with which we replace end-of-life units in existing buildings meet the latest energy efficiency ratio (EER) and seasonal energy efficiency ratio (SEER) recommended by the U.S. government for energy efficiency.

In 2017, we piloted several new techniques to reduce energy use through our EMS, including:

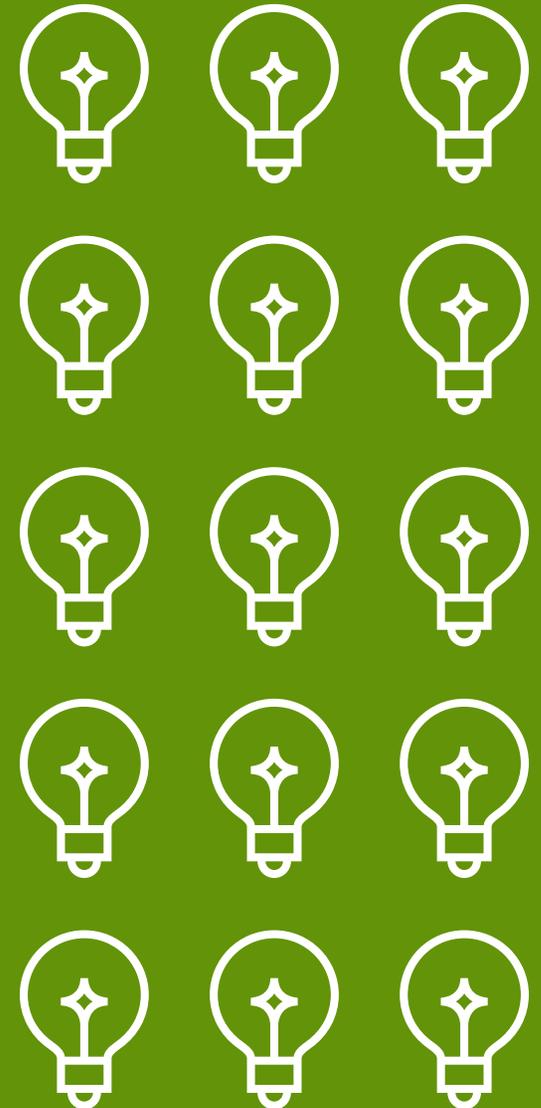
- Separating lighting controls for the pharmacy in retail stores
- Synchronizing lighting controls with operating hours
- Testing daylight harvesting in our LEED (Leadership in Energy and Environmental Design) certified stores as a way to maximize use of daylight with automatic, sensor-controlled lighting

Efficiencies in Transportation

We rely on a fleet of more than 2,500 company-owned and third-party tractors and trailers to deliver products from distribution centers to our 9,800-plus retail locations across the country. Given this vast distribution network, even small improvements can make a big difference, and in 2017 we continued to create innovative ways for our fleet to use less fuel, emit fewer greenhouse gases and create less air pollution.

In 2016, we implemented improved fleet routing software that has been very successful in optimizing routes and reducing stops. In our first full year of implementation with the new routing software, we reduced route miles by approximately one million and cut approximately \$2.4 million in expenses

We retrofitted eight distribution centers with LED lighting in 2017, realizing an estimated \$1.8 million return on investment.



network-wide. To build on these results, in 2017 we launched an initiative to reduce, track and report on truck idling time. By coaching our drivers on how to reduce idling time, for example, by turning off their engines during deliveries and long stops, we saved 37,000 gallons of fuel and 27,000 hours of idling time in 2017. These savings represent a 40 percent reduction in idling time compared to 2016, and equate to a savings of \$110,000.

In 2018, we will open a new distribution center in Kansas City, MO. Because of its central location within several Midwestern growth markets, we expect to reduce our mileage by hundreds of thousands of miles annually. The 762,000 sq. ft. facility is also expected to create more than 360 new jobs in the region.

Overall in 2017, we drove nearly 53 million miles and consumed 11 million gallons of fuel. Our fuel consumption figures include all deliveries, as well as corporate vehicle travel, employee air travel, personal car travel and rental cars. Overall vehicle fuel consumption decreased by 3 percent. Miles driven from our distribution centers to CVS Pharmacy locations increased 3.1 percent but fuel consumption for these routes increased just 1.9 percent, thanks to our route optimization software and network realignments.

Our company-owned fleet continues to be an Environmental Protection Agency SmartWay Carrier Partner for the eighth year in a row, receiving the highest carrier rating of Level 1 for emissions control. We have been a SmartWay Shipping Partner since 2012.





Waste Reduction, Diversion and Recycling

We minimize waste and increase recycling in our operations through targeted, data-driven improvement projects, as well as building awareness of waste reduction as a cost-savings initiative. In 2017, we diverted 47.9 percent of our waste to recycling or reuse, and saved an estimated \$5 million through program enhancements and efficiencies.

In 2017, we formed a cross-functional waste minimization committee to take a comprehensive approach to reducing targeted waste streams at retail stores. Strategies identified by this group included optimizing the number of SKUs (i.e., item types) available for sale, adjusting the pace of shelf replenishment so that fewer items reach their expiration date, and maximizing opportunities for products to be used for their intended purpose. This committee will continue to explore additional opportunities in 2018.

Our teams also continued to leverage technology to more efficiently manage waste. Using handheld radio frequency (RF) scanners, distribution center and retail colleagues are able to scan products and provide input on their condition. When an item is still viable but, for example, slightly damaged, out of season, approaching its expiration date or otherwise unsalable, the scanner provides guidance on how the product can be diverted to higher-value purposes, including donation. In 2017, we made a focused effort to raise awareness of this inventory management strategy among retail colleagues. The value of our product donations was about \$70 million, up about 27 percent from 2016.

In accordance with our Environmental Management Program Plan, we continuously review our operations and seek out opportunities to reduce our environmental footprint. For example, in 2017 we replaced non-reusable plastic-lined cardboard boxes used by our in-store waste program with specialized

reusable containers. This conversion resulted in a reduction of 20 tons of cardboard entering the waste stream and achieved considerable cost savings.

At the state level, we're preparing to comply with a new California law that will prohibit retailers from sending organic waste to the landfill.

We also work to minimize waste at our CVS Health-sponsored events. In 2017, sustainability efforts at the CVS Health Charity Classic golf tournament and its accompanying food festival, CRAVE RI, were led by volunteers from the GreenTeam Colleague Resource Group. A combination of recycling, composting and diversion to a waste-to-energy facility resulted in nearly 13 tons of waste being diverted from landfill. Nearly 4.3 MWh of electricity were generated by the waste-to-energy facility with waste from the CVS Health Charity Classic golf event.

In 2017, 87 percent of the solid waste generated at our distribution centers was diverted for recycling. In addition, 81 percent of solid waste generated by our Mount Prospect, IL mail order facility was recycled. The Mount Prospect mail order facility is our largest and includes an intricate recycling and shredding system, which shreds and recycles all plastic vials with protected health information; recycles all paper, cardboard, wooden pallets and shrink wrap; and segregates general waste. Please see the [Index](#) for updates on these efforts as well as additional data on recovery and recycling.



Automating Product Donation in Hawaii

In 2015, we introduced RF scanning capabilities to our retail locations in Hawaii to help facilitate the donation of unsaleable but usable products to our local charity partner, Child & Family Service. The program was recently expanded to 13 additional Hawaii stores, bringing the total to 25, and in 2017 we donated more than \$285,000 in products, including food, household items, personal care and over-the-counter items. These in-kind donations provide food and other necessities to more than 35 programs for children, youth, families, seniors and their caregivers, while also reducing the amount of viable products that might otherwise become waste.

Sustainable Facilities

As we work to minimize the impact of our operations on the communities we serve and the environment as a whole, we are focused on developing and implementing more sustainable building designs and features. Our strategy takes into account the total size of our new stores and the materials used to construct them, as well as opportunities to reduce the use of energy, water and other resources across all of our facilities.

Embedding Sustainability in New Construction

We introduced smaller-footprint stores in 2014, with a stronger focus on the pharmacy. These 6,000- and 9,000-square-foot stores require less land and use fewer materials and resources than our standard 12,900-foot freestanding prototype. They also use an average of 25 percent less energy than the larger prototype.

In 2017, we worked with our real estate department to find additional opportunities to build these smaller-footprint stores while delivering on business and community needs, ultimately saving \$13 million in construction costs. We opened 38 of these stores in 2017. Thirty-four additional smaller-footprint stores are in the planning or building phases now.

All of our new or relocated stores, regardless of size, use 100 percent LED lighting in all interior and exterior areas. In addition, the exterior finish material for new construction is Nichiha fiber cement panels, which are manufactured using more than 20 percent recycled materials. We have also moved to modular construction for these exteriors, which has reduced the amount of excess material produced during construction.

Our new construction is highly energy efficient because we always build to the highest and latest energy codes. These codes have several requirements, such as continuous insulation from roof to wall to foundation, thicker roof insulation and lighting system wattage. Additionally, in 2017, 66 CVS Pharmacy

stores had white reflective roofs, which reduce temperatures both inside and outside the building. White roofs can reduce summer energy use by 10 to 40 percent.

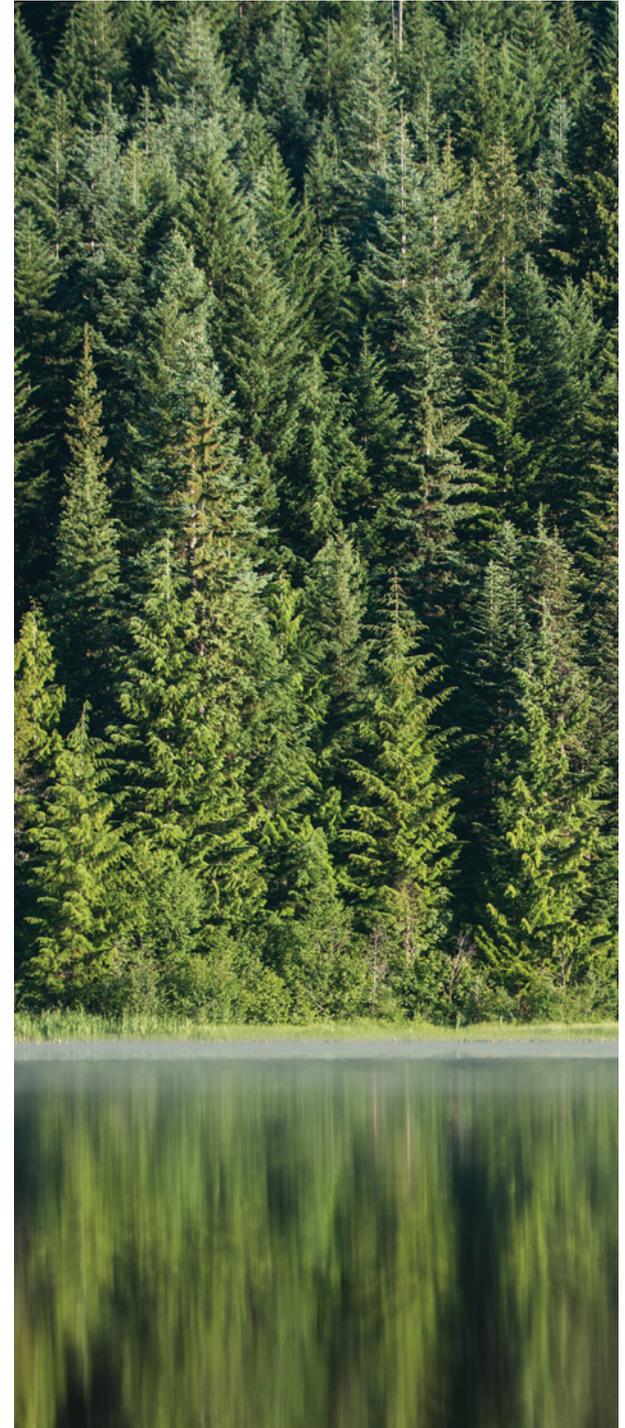
Incorporating Green Building Practices

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

In 2017, our Germantown, MD store achieved LEED certification. We operate 13 additional LEED-certified stores and facilities across the country and four more stores are pending certification. Our LEED buildings continue to serve as a prototype for our new construction projects.

Our store in Sedona, AZ won an award from “Keep Sedona Beautiful” for minimizing light pollution through the lighting design of the site’s exterior and parking lot. The design of the LED light fixtures and the “color temperature” of the emitted light helps to preserve the darkness of the night sky.

As part of our efforts to establish a long-term, science-based emissions reduction target, we continue to explore ways to increase renewable energy opportunities. We actively monitor on-site solar at several of our locations.



New Energy-Saving Techniques

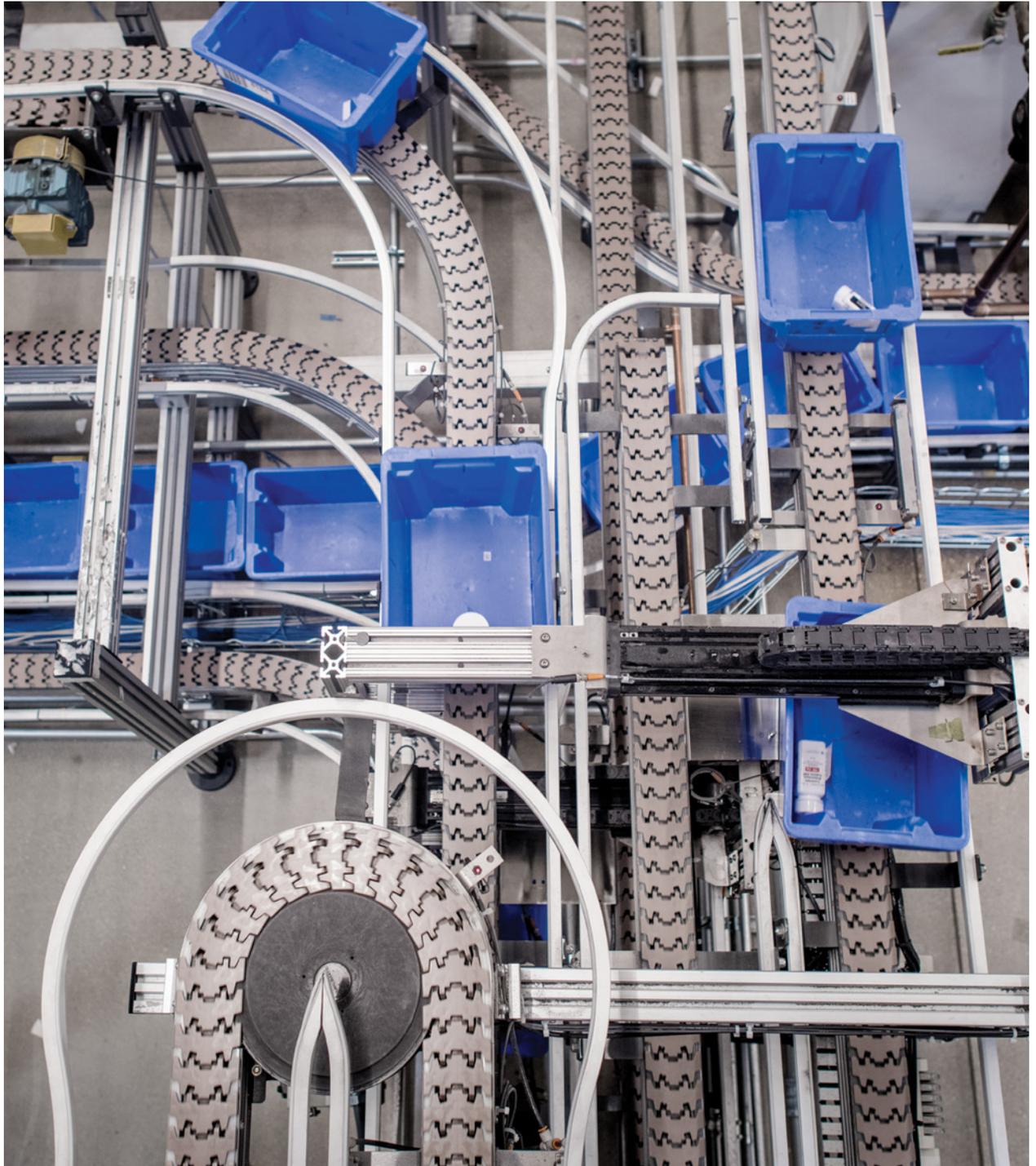
We continue to experiment with energy-saving techniques in our stores and facilities. California state law requires that new stores allow for load shedding, the use of intelligent technologies to reduce energy loads during peak usage times. In our stores across the state, sensors are installed in vestibules and non-critical zones such as bathrooms, service areas and backrooms. During peak periods, if the sensors detect that the areas are not in use, controls can adjust heating or cooling accordingly. In 2018, we plan to explore capabilities and determine results from load shedding in our California stores.

Conserving Water

The availability and quality of water is critical to the long-term health of people and the planet. While our operations are not water-intensive, we closely track our water use and evaluate ways to reduce our consumption, particularly in water-stressed areas where we operate. Our water management strategy applies to all of our facilities and guidance on driving efficiencies, and reducing usage is tailored to the needs of each site.

In 2017, our total water use declined by nearly 3 percent from 2016 despite a slight increase in total retail space. Our water use per square foot of retail space declined by nearly 3 percent, continuing a declining trend since at least 2010. In total, water use per square foot has declined 34 percent from the 2010 baseline.

In 2015, we established a target to reduce water use in retail operations for new construction by 20 percent by 2020. We are nearing this goal, having achieved an 18 percent reduction by the end of 2017. We achieved these reductions through the use of drought-resistant plantings and technologies that minimize water flow and irrigation time.





Sustainable Products and Packaging

In addition to being the largest pharmacy health care provider in the U.S., we're also one of the nation's largest sources for convenient essentials in categories including food and beverage, beauty and personal care. Our customers are increasingly looking for products that safely and effectively deliver the same benefits they're used to, with fewer ingredients of concern and, when possible, a lesser environmental impact.

In 2017, we announced the removal of chemicals of consumer concern from nearly 600 store brand beauty and personal care products, a natural step in the evolution of our comprehensive approach to chemical safety. We also completed a label claim substantiation process for our store brand items to give consumers added confidence in product label information, and became members of the Sustainable Packaging Coalition, building on our efforts to drive more sustainable packaging.



Addressing Chemicals of Consumer Concerns

In April 2017, we took a significant step forward in advancing our efforts to address chemicals of consumer concern by announcing the removal of parabens, phthalates and the most prevalent formaldehyde donors across nearly 600 beauty and personal care products from our store brand CVS Health, Beauty 360®, Essence of Beauty® and Blade® product lines. At the same time, we published our full list of restricted substances by category.

Since these announcements, we have been educating our suppliers on our updated policy and screening process through webinars, on-site trainings and printed materials. We are working with the suppliers to reformulate products as needed to ensure that product benefits and quality are maintained throughout the transition. To date, more than 300 products have been reformulated to meet our standards. We have also added information about our restricted chemical list to our Store Brands Quality Assurance Agreement, which all suppliers are required to adhere to.

We continue to build greater transparency within our supply chain to ensure compliance with our policies. In 2013, we launched our WERCSmart tool to capture supplier ingredient information for all chemical-based products and recently became the first major retailer to screen for restricted chemicals using the tool. WERCSmart allows us to evaluate not only publicly disclosed ingredients, but also proprietary blends, while protecting suppliers' trade secrets.

Since 2015, we have leveraged PurView, a monitoring tool that allows us to increase visibility into the ingredient profile of products. With this tool, in 2017, we created a database to screen all store brand food ingredients, label claims and nutritional specifications against regulations and CVS Health policies.

In 2017, the Safer Chemicals, Healthy Families coalition and its Mind the Store campaign gave us a "B+" on its annual report card on safer chemicals in consumer products. Our score was the third highest of any retailer evaluated and recognized the progress we continue to make in this area. Moving forward, we will continue our work with stakeholders to address additional chemicals of consumer concern and focus on additional product categories.

Introducing More Sustainable Products

We are always looking for ways to introduce more sustainable products that also deliver on efficacy and price. In 2017, we introduced or expanded on several more sustainable options for our customers:

- Our new Earth Essentials® by Total Home® Dish Soap is tough on grease, hypoallergenic and free from artificial colors, triclosan, formaldehyde and alcohol. Our Total Home Top Clean Laundry Detergent is free from dyes and perfumes and includes biodegradable cleaning agents.
- Our exclusive line of personal care items, Promise Organic™, is made with naturally derived ingredients certified by NSF International, the leading independent public health and safety organization. In 2017, we expanded the number of CVS Pharmacy locations offering Promise Organic from 1,700 to about 2,700, and launched four new Promise Organic baby skin care products in nearly 2,000 stores.
- In March 2017, we became the exclusive national drug store chain partner for The Honest Company, which is committed to safe, effective products that perform. More than 4,100 CVS Pharmacy locations carry Honest items, including bio-based diapers and biodegradable wipes.

Sunscreen Protection

Skin care is an important part of health care, and we recognize our responsibility to provide consumers with safe protection from the sun. According to the Centers for Disease Control, skin cancer rates have been growing over the last 15 years. As part of our efforts to reverse this trend, CVS Health is addressing the dangers of sun exposure in our consumer product offerings and communications.

CVS Pharmacy is the only national retailer that has removed all sun care products with SPF lower than 15 from our shelves, and we have added more than 30 new SPF+/broad spectrum products that meet or exceed U.S. Food and Drug Administration (FDA) standards.

In 2017, the Skin Cancer Foundation completed its review of all of our store brand sun care products and personal care or beauty care products labeled as providing protection of SPF 30 or higher. The foundation certifies our products for safety and efficacy, and to standards beyond those of the FDA. Going forward, the foundation will review and certify all new products we introduce with sun protection claims.

In May 2017, we launched our “Long Live Skin” campaign to increase awareness about skin health and sun safety. Videos, in-store signage and CVS Pharmacy Beauty Consultants provided tips on sun protection and skin care. Johnson & Johnson also donated \$1 for each purchase from June 18 to 24 of certain products with sun protection to the American Cancer Society, resulting in a total donation of \$100,000.

We also made the commitment in early 2018 to eliminate retinyl palmitate from all CVS Health branded sunscreens by 2019. This is a result of the addition of retinyl palmitate to our restricted substances list.

Substantiating Label Claims

More and more customers want to know exactly what’s in the products they buy. To address this trend, in 2017 we completed a process that gives consumers added confidence in product label information.

Working with our suppliers, we validated the label claims on all of our store brand products in every category — more than 4,000 products. This means we have gone beyond industry standards by, for example, requiring validation of studies upon which label claims are based.

As part of this process, we implemented new procedures for tracking and monitoring claims, and developed dozens of standards for suppliers to follow. Suppliers who don’t provide sufficient validation would be required to reformulate products or remove the label claim.

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

Sustainable Packaging

Retailers play an important role in packaging decisions, and we are committed to reducing waste resulting from our products and packaging. In August 2017, we joined the Sustainable Packaging Coalition, an organization that helps companies take meaningful action toward packaging sustainability.

In late 2017, we launched an effort to improve the sustainability of our store brand product packaging. We are auditing the more than 500 printers that produce packaging for our store brands portfolio to better understand their current sustainability capabilities with regards to all substrates, inks, material waste and workflow processes. We intend to use the results of this audit to help inform future standards on sustainable packaging.

Ensuring the Quality of Health Supplements

More than half of all Americans take a daily vitamin or supplement as part of a proactive approach to better health. In January 2018, we became the first retailer to establish and begin implementation of guidelines and processes that ensure the quality of our vitamin and supplement selection.

By 2019, all vitamins and supplements we sell will be required to undergo third party testing to confirm the accuracy of the ingredients on the label and ensure the products do not contain any concerning additives and ingredients, such as pesticides or stimulants. Products will receive an endorsement from either NSF International or USP (The United States Pharmacopeia), or undergo CVS Pharmacy’s independent testing, done in collaboration with the NSF.

The new standards will roll out across the vitamins, nutrition and energy categories. CVS Health store brand vitamins and supplements have always been subject to the quality assurance standards being implemented for all other brands.



Internal and External Engagement Around Our Sustainability Vision

Collaboration and meaningful engagement are essential to increase awareness and improve performance around key sustainability issues. We rely on the help of colleagues, business partners, external experts, customers and other stakeholders to reduce our environmental footprint and drive our company and industry forward.

Stakeholder engagement helps us broaden the impact of our programs and initiatives and extend our commitment to sustainability. Our suppliers support our efforts to move to more sustainable and transparent sourcing, including paper and palm oil. We collaborate with associations and working groups to share ideas and drive change across our industry. And we encourage our colleagues to act more sustainably in their everyday lives and volunteer for sustainability-focused initiatives throughout the year.

Supply Chain Sustainability

Sustainability has long been a factor in our procurement decisions, and we are always looking for ways to achieve cost savings while reducing our environmental impact. In 2017, we continued to improve the sustainability of our paper use and sourcing and began implementation of our palm oil policy.

Reducing Our Paper Usage

Reducing our demand for paper is the best way to minimize the environmental impact of our paper use. In 2017, we used approximately 63,300 tons of paper in our business operations for uses including receipts, bags, mailers, fliers and corporate documents, a reduction of more than 9,000 tons from 2016. We have reduced the size of our consumer product circulars and cut back volume on other paper-based marketing programs.

To date more than 4.5 million customers have enrolled in our digital receipts programs, which allows us to send receipts directly to a customer's email. In 2017, the digital receipts program delivered more than 116 million digital receipts and saved \$200,000 in paper and other expenses. We saved \$500,000 by utilizing digital delivery for our PBM/Medicare member communications.

Sustainable Paper Sourcing

As a consumer of paper for a variety of business purposes, CVS Health has prioritized sourcing our paper responsibly to minimize deforestation and other harmful environmental impacts.

In 2015, we established a target to procure 100 percent of the paper stock we use from sustainable sources by 2020. In 2017, 93 percent of the paper we used

across the enterprise was sustainably sourced. In addition, 39 percent of our paper stock is certified by the Forest Stewardship Council (FSC).

We've been working for four years to transition to sustainably sourced and recycled-content stock. Here's a summary of our progress in 2017:

- **Consumer product circulars:** 30 percent of paper used in our circulars is now FSC-certified. All of this paper is uncoated stock, which is produced in a more environmentally friendly manner than coated paper stock.
- **Direct mail:** Our goal is to include at least 10 percent post-consumer recycled content in all of the paper we use for direct mail. At the end of 2017, 6 percent of our direct mail contained recycled content, down from 30 percent in 2016. We found it challenging to obtain sufficient quantities of recycled paper substrate and recycled paper at the needed sizes with sufficient lead time. We will be working to resolve availability issues and increase our volume again in 2018.
- **Business stock:** We use 18 lb. weight stock for our office paper, which has a smaller environmental impact than standard 20 lb. weight paper. This paper is all FSC-certified.





Sourcing Palm Oil Sustainably

Palm oil is a widely used type of vegetable oil that can be found in many of the edible, home and personal care products sold in our stores. Its production sometimes involves the clearing of tropical forests, which provide invaluable social and environmental benefits. CVS Health is concerned about the impacts that palm oil production can have on people and the planet, and we continue our work to ensure palm oil is sourced responsibly.

In 2016, we announced that by 2020, 100 percent of the palm oil in our store brand products will come from verified, responsible sources delivered through fully traceable supply chains. In 2017, we informed all store brand suppliers of our new policy and required them to sign agreements to follow it. At the end of 2017, 31 percent of our store brand suppliers have either become members of the Roundtable on Sustainable Palm Oil (RSPO) or obtained Rainforest Alliance certification.

We only recognize palm oil from sources certified through RSPO or the Rainforest Alliance Chain of Custody, due to these organizations' commitment to the environment and ethical sourcing.

Starting in July 2017, all suppliers of new store brand items containing palm oil were required to demonstrate proof of a recognized certification. In October 2017, we asked all store brand suppliers to disclose the palm oil content of their products. At the same time, we began screening products for palm oil using our WERCSmart supply chain compliance tool.

Suppliers of existing store brand products containing non-sustainably sourced palm oil or its derivatives are required to prove that they have shifted to sustainable sources or reformulate their products by 2020. We have identified 133 store brand products that currently contain non-sustainably sourced palm oil. We are working closely with those suppliers to ensure that by January 2020 all products adhere to our policy.

Engaging Colleagues and Partners in Sustainability

We continued to partner with several peers and our own colleagues to achieve progress on sustainability initiatives in 2017. We are always looking for new ways to give our time or share our perspective on sustainability with colleagues, customers, clients and business partners, through volunteerism, training, education and dialogue.

Working with Partners

We frequently work across our supply chain on efforts to minimize waste, improve product sustainability or reduce greenhouse gas emissions.

In the [Sustainable Operations](#) section of this Report, for example, we discuss how we are working with suppliers to reduce greenhouse gas emissions across our supply chain. In 2017, CDP rated us a “B” for our ability to engage with suppliers on climate change. In Sustainable Products and Packaging, we highlighted how we are working with suppliers to reduce chemicals of consumer concern in our store brand products, to ensure that the palm oil in our store brand products is sourced responsibly, and to eliminate artificial trans fats.

We take active roles with industry consortia and associations such as the National Association of Environmental Managers, the Green Chemistry and Commerce Council, Forum for the Future and the Retail Industry Leaders Association to discuss and participate in collective efforts to improve sustainability management.

In 2017, we also collaborated with our peers and sustainability nonprofits Forum for the Future and The Sustainability Consortium (TSC) to work toward a more sustainable and transparent beauty and personal care product industry. As part of the group’s work, we developed a common approach to evaluate the sustainability of beauty and personal care products. This is a significant step forward, aligning a wide array of product assessment criteria in use today.

An initial version of this assessment tool has been piloted and will now be transitioned for ongoing coordination, development, and implementation to TSC, to leverage their existing work with businesses in a variety of sectors on product sustainability metrics and measurement. Retailers and other organizations that voluntarily adopt this approach can use key performance indicators (KPIs), along with a common method of scoring products against these indicators, to independently evaluate product sustainability. A range of sustainability attributes and activities, from basic practice to aspirational leadership, are reflected within the KPIs.

We continue to identify opportunities to work with our suppliers on sustainability initiatives and campaigns. In 2017, we partnered with DOVE® Chocolate from Mars Wrigley Confectionery on a cause marketing campaign to promote sustainable cocoa farming and education for female farmers. For every purchase of a specially marked DOVE® Chocolate PROMISES® at CVS Pharmacy locations, \$1 was donated to CARE®, a global poverty-fighting organization. CARE pioneered the concept of Village Savings and Loan Associations, which provide a safe place to save money and access small loans, encouraging the business efforts of women in farming communities. In total, \$245,000 was donated through this campaign.

For the second year in a row, we promoted the Johnson & Johnson Consumer, Inc. Care To Recycle campaign, which aims to address a barrier of recycling personal care products in the bathroom. We shared content on our own web and social media channels, and offered a special promotion to CVS.com customers of a free

“Our commitment to sustainability and chemical management aligns with our purpose of helping people on their path to better health. We know that to respond to consumer needs for more sustainable products that we must collaborate with our supplier partners, our retail peers and others across the supply chain. It has been valuable to participate in this initiative which focuses on advancing sustainability across the beauty and personal care industry. We look forward to continuing on this journey with our partners.”

— Eileen Howard Boone,
Senior Vice President of
Corporate Social Responsibility
and Philanthropy, CVS Health



bathroom recycling bin with purchase. We also worked with 3M on a social media campaign to promote the sustainability of Post-it® notes, which are recyclable and Post-it® Super Sticky notes which are made with a plant-based adhesive.

We also work with regulators at federal and state agencies through direct communication and participation in working groups. We seek to help them understand our business and the potential impact of current or proposed regulations.

External stakeholders often provide useful ideas about how to advance our sustainability agenda. In 2014, we became the first pharmacy company to join the Ceres network, a sustainability advocacy group that helps leading companies integrate environmental and social performance into their business strategies and initiatives.

In December 2017, Ceres facilitated a stakeholder engagement in which experts advised us on strategies to obtain more renewable energy. Key findings from this engagement included information about power purchase agreements (PPAs), Virtual Power Purchase Agreements (VPPAs), Green Tariffs and Renewable Energy Credits (RECs), as well as ways of procuring energy from alternative solutions — including community solar — and collaborating with key stakeholders and other businesses to share best practices.

Engaging Our Colleagues

We believe our sustainability initiatives have the greatest impact when our colleagues are informed and involved with them. Our GreenTeam Colleague Resource Group aims to make environmental sustainability a relevant part of every colleague's role and responsibility. The group shares information, develops programs and raises awareness of sustainability issues throughout the company. Since it was formed in 2016, the GreenTeam has grown to more than 550 members across 35 states. Ninety-three percent of members report recycling at home and work.

In 2017, the GreenTeam partnered with our corporate facilities in Rhode Island to launch a recycling pilot. A cross-functional team of GreenTeam members identified areas of opportunity for more recycling at headquarters and other facilities. Working with facility managers, the team expanded recycling at our Finance Center and developed a recycling communications campaign for colleagues and facilities teams.

GreenTeam members also work to minimize waste at our CVS Health-sponsored events. At the CVS Health Charity Classic, Rhode Island's largest charitable sporting event and CRAVE RI, its accompanying food festival, the GreenTeam executed a waste minimization strategy that combined recycling, composting and diversion to a waste-to-energy facility. The effort resulted in nearly 13 tons of waste being diverted from landfill.

CRGs are further discussed in the [Colleague Diversity](#) section. Please see the [GRI Index](#) for a discussion of other ways colleagues are engaged in sustainability — including our colleague sustainability platform and our sustainability committees — and to learn more about the link between sustainability and compensation.

We are committed to helping our colleagues make more sustainable decisions — whether at work or at home. In 2016, we 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, biking to work or recycling at home. By the end of 2017, colleagues across the enterprise had logged more than 4,000 green actions in Community Crew, our colleague volunteering portal.



Sustainable Supplier Partner of the Year: Colgate-Palmolive

Support from our suppliers is vital to helping us deliver on our CSR strategy. In 2016, we introduced our supplier award program for sustainability and social responsibility to recognize our suppliers' efforts across our three key CSR pillars as well as their partnership with us on CSR initiatives. In 2017, we were pleased to recognize Colgate-Palmolive — a global consumer goods company focused on household, health care and personal care products — with this award.

Colgate champions sustainability and social responsibility through initiatives such as its Bright Smiles, Bright Futures program, providing millions of children around the world with oral health education. Colgate has also issued a commodity-specific Policy on Responsible and Sustainable Sourcing of Palm Oils; is ranked best-in-class on the CDP and Newsweek Green rankings; and is a member of the Consumer Goods Forum, demonstrating its commitment to fair labor practices.

As a leader in social responsibility, Colgate shares our vision for advancing the UN Sustainable Development Goals and is a fellow participant in the UN Global Compact. Like CVS Health, Colgate prioritizes product sustainability, values diversity within its supply chain, and has been named to DiversityInc's Top 50.

Colgate continues to stand out as a valuable and engaging supplier partner. In 2018, we plan to partner on a recycling initiative to help our customers properly dispose of difficult-to-recycle items such as toothpaste tubes.



Leader in Growth



Leader in Growth

Year after year, our company continues to drive sustainable growth, creating value for our stockholders, our partners, our colleagues and our communities. Our CSR strategy is aimed at ensuring that this growth leads to not only a significant impact on our nation's economy, but also leverages our size and scale to create widespread impact as a responsible corporate citizen.

As a Leader in Growth, we are creating meaningful career opportunities for colleagues of all backgrounds and abilities, and expanding our benefit, training and development offerings to create a workplace where they can thrive. We are bringing opportunity into the communities where we operate, and to our small and diverse-owned business partners.

Being a Leader in Growth also means operating with integrity, transparency and accountability across our enterprise, including best-in-class compliance practices, respect for human rights and a commitment to diversity throughout our supply chain.

Top Accomplishments in 2017



Set ambitious new targets for spending with diverse suppliers



Hired 4,700 Registered Apprentices (to date); announced commitment to hire 5,000 more by 2022



Achieved first listing on DiversityInc's Top 50 Companies



Provided more than \$100 million in charitable giving through the CVS Health Foundation, corporate grants, in-kind gifts, employee giving and fundraising, and other community investments

Priorities and Progress

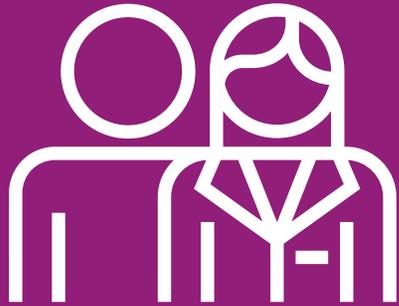
Strategic Priorities	Goals	Highlights in 2017
<p>Safe, Rewarding and Inclusive Workplace</p>	<p>Create a best-in-class workplace</p> <p>Multi-year targets:</p> <ul style="list-style-type: none"> • Increase participation in Colleague Resource Groups (CRGs) to 10% of our workforce by 2025 • Increase the number of hours our colleagues volunteer by 10% year-over-year • Provide in-person, classroom training sessions for 100% of mid-level leaders by 2019 • Hire 5,000 new Registered Apprentices by 2022 • Increase the average participation rate across all 401(k) plans to 50% by 2020 <p>Ensure the diversity of our colleagues represents the diversity of our customers and local communities</p>	<ul style="list-style-type: none"> • Participation in CRGs increased by 34% to 3.43% of workforce • Value of volunteer time increased 48% • More than 500 mid-level leaders trained • Hired 4,700 Registered Apprentices to date • 47% of colleagues contribute annually to their own 401(k) plans • Launched student loan refinancing program • Reduced safety incidents among new hires in distribution centers by over 50% <ul style="list-style-type: none"> • Included in DiversityInc's Top 50 Companies for Diversity List for the first time • Achieved perfect scores on Corporate Equality Index and Disability Equality Index
<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> <p>Target:</p> <ul style="list-style-type: none"> • CVS Health colleagues will collectively complete at least 2 million hours of compliance training every year 	<ul style="list-style-type: none"> • Scored 91.4% on CPA-Zicklin Index of Corporate Political Disclosure and Accountability • Elected Mary L. Schapiro to Board of Directors • Implemented data loss prevention tool
<p>Supply Chain Responsibility</p>	<p>Embed diversity within our supply chain</p> <p>Target:</p> <ul style="list-style-type: none"> • Achieve acknowledgement of Human Rights Policy by 100% of colleagues by 2019 	<ul style="list-style-type: none"> • Integrated Human Rights Policy in colleague Code of Conduct • Exceeded 2017 \$1 billion spending target and set new targets for 2020: <ul style="list-style-type: none"> - \$1.5 billion spend on Tier I suppliers - \$1 billion spend on Tier II suppliers



Safe, Rewarding and Inclusive Workplace

As our company grows, our commitment to our colleagues remains steadfast. By creating a safe, rewarding and inclusive workplace that reflects our values, we strive to bring out the best in our colleagues, who are at the core of our continued success.

This commitment takes many forms. We recruit and train new colleagues from diverse backgrounds; we nurture the skills and leadership talents of our existing colleagues; we offer benefits that take a holistic view of wellness; and we strive to create a workplace where all colleagues feel safe and respected.



4.7K

Registered
Apprentices
hired

“As a pharmacy innovation company, it is part of our culture at CVS Health to make every individual feel valued, respected and appreciated. We must seek out, listen to and leverage the voices of our diverse customers, clients, colleagues and communities.”

— Larry Merlo,
President and CEO,
CVS Health

\$3.7M

in value of
volunteerism



85K+

colleagues
hired in 2017

6.5K

colleagues
participated in workforce
development programs

40K+

youths exposed to
careers in health care

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

We believe we can spur economic growth and improve livelihoods as we continue to grow. In 2017, we hired more than 85,000 new colleagues, including more than 69,000 at our retail locations, more than 15,000 at our corporate facilities and distribution centers, and more than 800 at MinuteClinic locations. We also hired more than 17,000 youths in full- and part-time summer positions, well exceeding our summer-employment goal.

Investing in a Future Workforce

We have continued our commitment to hire out-of-school, unemployed youths into their first jobs through a variety of workforce development programs. This helps expose them to career opportunities in health care and provides the training they need to build a career with us.

In 2017, more than 40,000 youths were exposed to careers in health care through myCVS Journey Pathways to Health Care Careers, a science, technology, engineering and math (STEM) initiative designed to engage young people (ages 5–24) in age-appropriate awareness, exploration and preparation for health care careers. This school-to-career model begins in elementary grades and continues through middle school and high school, with opportunities for students to learn about the many career choices available within CVS Health including pharmacy, professional management, nursing and information technology.

Registered Apprenticeships

Registered Apprenticeship is a CVS Health-sponsored program developed in partnership with the U.S. Department of Labor that offers paid, on-the-job learning and academic instruction. The apprenticeships can produce

the equivalent of a college degree without the student loan debt students might incur in a more traditional setting.

Registered Apprenticeships provide structured training to maintain the high-level skills needed in complex fields and equips participants with a nationally recognized certification that will help them advance their careers. We believe that Registered Apprenticeships are an effective way to address the nation's skills gap.

In 2005, we became the first employer to launch a Registered Apprenticeship program for pharmacy technicians. Since then, we've rapidly expanded the program, adding career tracks for prescription benefit management and store management. We've well surpassed a previous goal of placing 3,000 participants by 2020. In fact, through 2017, we've hired more than 4,700 colleagues through our Registered Apprenticeship program and in November announced a new commitment to hire 5,000 more new apprentices by 2022.

This commitment reflects our expansion of the program to seven new states, bringing the total number of statewide apprenticeship programs we support to 18.

Through 2017, we've hired more than 4,700 colleagues through our Registered Apprenticeship program





Leader in Growth

Building Retail Careers

Our investments in workforce development help us meet community needs for meaningful and reliable jobs and our own need for colleagues who can deliver the best customer service in the industry.

Our Regional Learning Centers (RLCs) help attract and cultivate talent interested in retail careers. Working with community colleges and other partners, we supported the training and development of more than 11,000 CVS Pharmacy colleagues through RLCs in 2017.

We are planning a 2018 grand reopening of our expanded and remodeled New York City RLC to offer additional training and technology to our community partners and our CVS Health colleagues at other centers.

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. LEARNet, our online education and training portal, provides ongoing opportunities for skills enhancement using 40,000 learning activities, and a wide range of training programs targeting specific roles and advancement opportunities that are accessible to all colleagues across the enterprise.

Expanding Leadership Training

Training colleagues in leadership skills is important to building our leadership pipeline. In 2017, we expanded our virtual development program, Leader Essentials, to the entire CVS Health enterprise. The program provides a series of six live, virtual training modules designed to provide key skills for leading and managing a team. Through a strong connection to the

CVS Health Leadership Competencies, tools such as effective communication, setting expectations, coaching and feedback help these leaders support and develop their colleagues with a goal of driving results and addressing themes that emerge from our annual colleague engagement surveys.

More than 260 leaders participated in this training experience in 2017, averaging nine hours of classroom development. Through virtual delivery, this program has met the development needs of leaders across the country, reducing the need for travel and minimizing time away from work and family.

We also expanded our Transitions to Advanced Leadership program, which launched in 2016. The program is a collaboration with Duke Corporate Education to provide targeted leadership training to mid-level enterprise leaders to help them prepare for upper-level leadership. In 2017, nearly 300 leaders attended this program, spending an average of 24 hours on classroom training, on-the-job learning experiences and webinars. Expanded participation in this program has helped us progress against our target of providing in-person, classroom training sessions for 100 percent of mid-level leaders by the end of 2019. To date, more than 500 mid-level leaders have benefited from this development opportunity.

We resumed our training program for pharmacists who wish to become pharmacy managers. This series of web-based learning and in-person key learning experiences is aimed at building the talent pipeline for new pharmacy managers and improving the engagement, effectiveness and retention of pharmacy managers once they take on the role.

Maximizing Retention and Effectiveness in the Pharmacy

We have a standing, cross-functional team dedicated to maximizing the retention and effectiveness of our colleagues in store pharmacy roles. This team focuses on exploring, testing and implementing new approaches to continuously improve the engagement and retention of our pharmacy support staff, pharmacists and pharmacy managers.

Our pharmacy technicians are trusted members of our patients' health care team. They are responsible for much of the direct interaction with patients at CVS Pharmacy, retrieving their medications, asking them questions, and engaging them in new programs. They are critical to helping patients on their path to better health.

In 2017, we implemented a variety of enhancements that resulted in improved engagement and retention of our pharmacy technicians.

Training

We improved the clarity and simplicity of the learning plans that we provide to new technicians and their managers to make it easier for them to understand and follow the LearnRx pharmacist technician training program. We also implemented new feedback surveys at various points throughout the new-hire journey. Field leaders now receive improved feedback on the new colleague experience, program execution, and our new pharmacy technicians' retention of what they are learning.

In addition, we piloted new approaches to maximize the effectiveness of our approach to provide new colleagues with regular coaching and feedback as they learn and we identified ways to improve the learning experience that will be implemented in 2018.

Hire from the Front

We believe it's important for our retail store colleagues to have an established pathway to a career in pharmacy. We also know retention rates are higher for pharmacy colleagues who are hired from retail front store positions than for colleagues who are hired from outside the company. Our Hire from the Front initiative began in 2016 and does just that. It has been highly successful in both creating career pathways and improving retention. Thanks to the program, the percentage of pharmacy technicians recruited from front store roles has tripled.

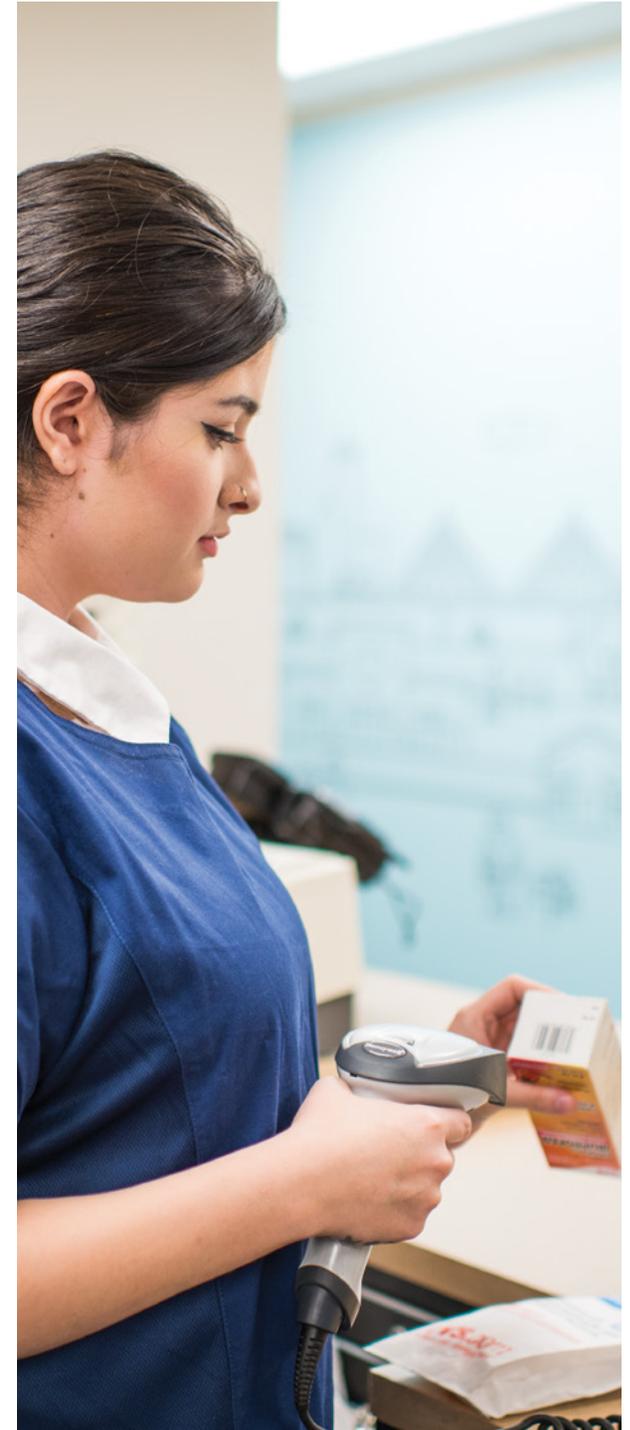
Hire from the Front also helps optimize our workforce utilization, creating a win-win for us and our colleagues. When colleagues are cross-trained to work in either the retail store or the pharmacy, they have the opportunity to work more hours and provide greater scheduling flexibility for their managers.

These training enhancements, combined with our Hire from the Front initiative and other efforts, reduced technician turnover by 7 percent. This improved retention has resulted in reduced costs to hire and train new colleagues and improved levels of customer service.

Improved Onboarding Program

In 2017, we expanded our enhanced new colleague orientation program to the entire enterprise. Delivered through an all-new onboarding intranet site, the program is designed to help colleagues adapt to their new role and to our culture and values, and to motivate them to stay and build their careers with us.

The program features enhanced pre-start communication, pairing of new hires with a colleague buddy, and virtual orientation sessions. We also launched a series of new tools and webinars focused on colleague development, with specialized tracks for leaders and colleagues.



Wage and Benefits Enhancements

In February 2018, we announced three major programs that would enable our colleagues to share in the tax savings created by the U.S. Tax Cuts and Jobs Act:

- We will increase the starting wage rate for hourly colleagues to \$11 an hour, effective April 2018. We also plan to adjust pay ranges and rates for many of our retail pharmacy technicians, front store associates and other hourly retail colleagues later in the year to ensure a competitive compensation structure that supports our plans to evolve our retail stores into a health care destination.
- We will not increase colleague premiums for the 2018–2019 plan year, despite medical and prescription cost increases of 5 percent year-over-year for the 100,000 colleagues in our company-sponsored plan.
- We are creating a new paid parental leave program. Full-time colleagues who have been at the company for more than one year and are new parents can take up to four weeks away from work at 100 percent of pay.

These long-term and sustainable investments, totaling \$425 million annually, build on the investments we make in our colleagues and their career development.

Benefits that Provide Holistic Support

We take a holistic approach to helping our colleagues on their path to better health, and believe that emotional well-being, financial wellness and support through life events are essential to our role as an employer. In addition to a competitive benefits package, we are always looking for new offerings that will improve our colleagues' lives and give us a competitive edge as an employer of choice.

Our competitive 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
- Paid parental leave (four weeks at 100 percent pay, effective April 1, 2018)
- Adoption benefits
- Life, accident and disability insurance
- Supplemental medical options, including flexible spending accounts for health and dependent care
- Paid time off
- Tuition reimbursement
- Colleague discounts
- Gender confirmation surgery
- Hearing aids

Colleagues who work fewer than 30 hours per week are also eligible for a robust benefits package that

includes supplemental medical options, dental and vision coverage, as well as supplemental life insurance.

Helping Colleagues Refinance Student Loans

In April 2017, we launched a student loan refinancing program to support our colleagues with student loan debt. By December 2017, colleagues had refinanced more than 200 loans totaling more than \$25 million in student loan debt. More than two-thirds of the refinanced loans were attributed to pharmacists, who face high postsecondary education costs. Refinancing saved colleagues on average \$29,000 in interest costs.

Improving Colleague Financial Security

Our retirement package offers a 100 percent company match on the first 5 percent of eligible pay colleagues contribute to their 401(k). We believe that contributing to a retirement account — and taking advantage of our match — is important to ensuring a secure retirement for all of our colleagues. In 2016, we introduced a new performance target in this area, to increase the average participation rate across all 401(k) plans to one-half of all eligible colleagues by 2022. Currently, 47 percent of our colleagues contribute annually to their 401(k) plans with their own savings.

In 2018, we changed the way we contribute to the 401(k) match. We now contribute each pay period, as opposed to quarterly, an approach that is easier to understand for colleagues. We also removed the option for colleagues to contribute dollar amounts to their 401(k), as opposed to a percentage of their pay. We found that colleagues who specified a dollar-based contribution rarely claimed the full 5 percent match or raised their deferral amount as their earnings increased, reducing their retirement readiness. Colleagues who had previously chosen to contribute a dollar amount will receive personalized communications and tools to ease the transition to percentage-based matching.

Since 2009, our colleagues have been given the option of using Financial Engines, a service that

helps build and maintain an investment portfolio appropriate for their risk tolerance and investment horizon. In 2017, we offered a free six-month trial of this service to encourage greater usage. As of October 2017, 1,681 new colleagues tried Financial Engines and, after the close of the trial, 96 percent continued to use the service.

Improving Colleague Relations

We strive to provide a positive work environment where our colleagues can communicate freely and feel their concerns and issues are addressed with care, integrity and respect.

In May 2017, we launched Advice & Counsel, our Employee Relations Center of Excellence. Advice & Counsel provides enhanced guidance to address issues affecting job performance or work environment, and helps to ensure that CVS Health policies are interpreted and applied fairly, impartially and consistently.

Advice & Counsel centralizes management of colleague relations issues. For colleagues, this means they can go to one place for answers and get faster and more consistent answers to their questions. For our human resource colleagues, Advice & Counsel streamlines their workload so they can focus more of their time on strategic priorities such as talent acquisition, development and business support.

In its first six months, Advice & Counsel logged more than 28,000 cases and answered more than 11,000 live calls. More than 90 percent of calls were answered within 30 seconds.

Engaging Colleagues to Improve Performance

Our colleagues' feedback is an essential tool in improving company performance. Each year colleagues are surveyed on a range of topics, including how aligned they feel their work is to our company's purpose, their ability to innovate in their roles, and their personal investment in our company's success. Survey results in 2017 revealed that engagement levels

among our retail colleagues remained high, and engagement among pharmacy colleagues has increased significantly over the past three years. Our colleagues also noted success in working with their teams to execute processes.

The most important part of our engagement process is how we respond to our colleagues' feedback. Throughout the enterprise, business leaders discuss survey results with teams and determine a plan of action targeted to building engagement by focusing on drivers such as recognition, communication and development. According to survey follow-up data, three out of four retail and field leadership colleagues said they saw results and subsequent action in their teams resulting from this tool.

Colleagues in the Community

Colleagues who volunteer feel more connected to their community and engaged in their jobs, and giving back increases colleagues' sense of corporate pride and purpose.

We are fortunate to have colleagues who are generous with their time, expertise and giving. In June 2017, the Points of Light organization recognized us on the Civic 50 as one of the fifty most community-minded companies in the United States, in large part due to our colleagues' contributions.

In 2017, our colleagues invested time valued at more than \$3.7 million, up from \$2.5 million in 2016. We attribute this increase to several factors, including: wider availability of volunteer opportunities that are turnkey and that leverage our colleagues' professional skills; the addition of Omnicare colleagues to volunteer programs; and enhanced communications and incentives. We continue to exceed our established target of increasing the value of volunteerism time by 10 percent year-over-year.

Among our largest volunteer programs is [Pharmacists Teach](#), leveraging the skills of our pharmacists.

Since 2015, our pharmacists have made presentations to 344,330 youth and 579 parents about the dangers of prescription opioid abuse. Our colleagues also volunteer through projects organized by our [Colleague Resource Groups \(CRGs\)](#). They can search for volunteer opportunities in their area through our online engagement portal, Community Crew.

Improving Safety across the Enterprise

Our systematic approach to safety looks to identify the root cause of workplace incidents and engages managers and colleagues in a continuous effort to improve performance. In 2017, we continued to shift our safety team's approach to move beyond compliance auditing to mentoring and coaching our business partners and field leaders.

Since 2016, we have used a safety dashboard that helps us track incident trends and focus on areas of risk. Many of our 2017 initiatives resulted from these findings.

Our New Hire Program was initiated in April 2017 after we discovered that about 50 percent of injuries at our distribution centers each year are incurred by colleagues who have been working there for less than a year. This new program provides additional safety training, a buddy system, and supervisor check-ins. Early results indicate that the program has reduced the number of workplace incidents involving new hires by more than 50 percent.

Another concern that surfaced was underuse of ladders in our stores to process products and trucks. Full-size ladders are large, heavy and hard to move for colleagues. To reduce the strains and sprains experienced by colleagues associated with product processing and deliveries, we tested new step stools in 125 stores. The new stools, which are smaller and easier to move than ladders, changed colleague behavior and reduced frequency of injuries by 44 percent. In addition, costs related to those injuries dropped 63 percent — an important outcome, given



that those injuries cost us \$7.5 million a year. We began rolling out the new step stools to all stores in January 2017 and expect the chain-wide roll-out to be complete in 2018.

We continued to integrate Omnicare, which we acquired in 2015, into our safety initiatives. In 2017, we brought Omnicare data into our safety dashboard, implemented various safety and compliance programs, and fully integrated Omnicare safety personnel into our safety meetings and communications programs. We also implemented an accident investigation program for Omnicare, which formalized the actions teams should take following a safety incident and requires a review of improvements that should be made as a result.

Introducing New Safety Trainings and Programs

In 2017 we added several new safety trainings and programs, including:

- **Vendor safety:** We published new safety guidelines for vendors who do business with us. Vendors must attest to their safety programs as part of the vendor procurement process. This assures that we are hiring companies that value employee safety as highly as we do.
- **Ergonomic safety:** We developed a presentation that describes the causes and effects of ergonomic injuries, guides staff through setting up a safe workstation, and refers them to human resource colleagues who can provide more assistance.
- **Workplace violence:** We've updated our workplace violence guidelines and will roll out new training for colleagues in 2018.
- **Needle safety:** We implemented new needle stick safety trainings in all workplaces where needles are used. At the same time, we introduced safer auto-retract injection systems.

- **Accident investigation and fall protection:** These were added at all of our distribution center facilities.

- **Confined space safety:** This was initiated at our various corporate headquarter facilities.

There were no high gravity citations that would be considered as willful or negligent. Our recorded incident rate for 2017 was 3.88, a reduction of 6 percent over our 2016 incident rate. Our accident frequency rate in distribution centers was 5.09. Incident rates take into account all claims that require medical attention; accident frequency rates represent injuries and illnesses that are deemed recordable by the U.S. Occupational Safety and Health Administration (OSHA).

Costs associated with distribution center incidents were down 15 percent from 2016 and the total number of incidents declined. On the retail side, the total number of incidents increased slightly but incident-related costs declined by 17 percent. We believe our safety programs have reduced large claims to the company.

Environmental Health and Safety Frameworks

Our corporate Environmental, Health and Safety (EHS) Management Program provides the framework to ensure that we responsibly manage EHS aspects and obligations of the business. The program incorporates key principles of our corporate environmental policy, U.S. Environmental Protection Agency's compliance-focused environmental management system guidance, and ISO 14001.

The safety management program utilizes the ANSI z-10 as a guide to meeting business needs and requirements, and it incorporates OSHA, department of health, fire codes and life safety codes to assure compliance with regulatory agencies and promote colleague safety.

Colleague Diversity

For our business to thrive, our workforce must reflect the diversity of the communities we serve. And all of our colleagues must feel empowered to succeed.

Recognition of Our Diversity Efforts

In 2017, we earned a place on DiversityInc's 2017 [Top 50 Companies for Diversity list](#) for the first time. Our presence on the list is due in large part to a greater focus on diverse supplier spending and our performance in management-level recruiting for African-Americans, Hispanics and women in 2016.

We are committed to making progress on management-level diversity recruiting, and continue to focus our efforts in this area. We have adopted a talent acquisition policy that at least one finalist for all positions at the senior director level and above must be female, ethnically diverse, or both. In 2017, 29 percent of our officers (vice president rank and above) were women, up from 27.6 percent in 2016. The proportion of officers from minority backgrounds has remained the same. Detailed workforce diversity data can be found in the [Appendix](#).

Supporting LGBTQ Colleagues

In November 2017, we achieved a perfect score for the fourth consecutive year on the 2018 Corporate Equality Index, a national benchmarking survey and report on corporate policies and practices related to lesbian, gay, bisexual, transgender and queer (LGBTQ) workplace equality administered by the Human Rights Campaign Foundation.

CVS Health received top marks for a variety of programs, including: making gender transition guidelines available for colleagues and their managers; partnering with the Human Rights Campaign to establish pharmacy industry best

practice guidelines for serving transgender patients; supporting our colleague resource group PRIDE, available for LGBTQ colleagues and their allies; and following the CVS Health [Vendor Code of Conduct](#), which supports the inclusion of LGBTQ vendors and suppliers.

Embracing Colleagues of All Abilities

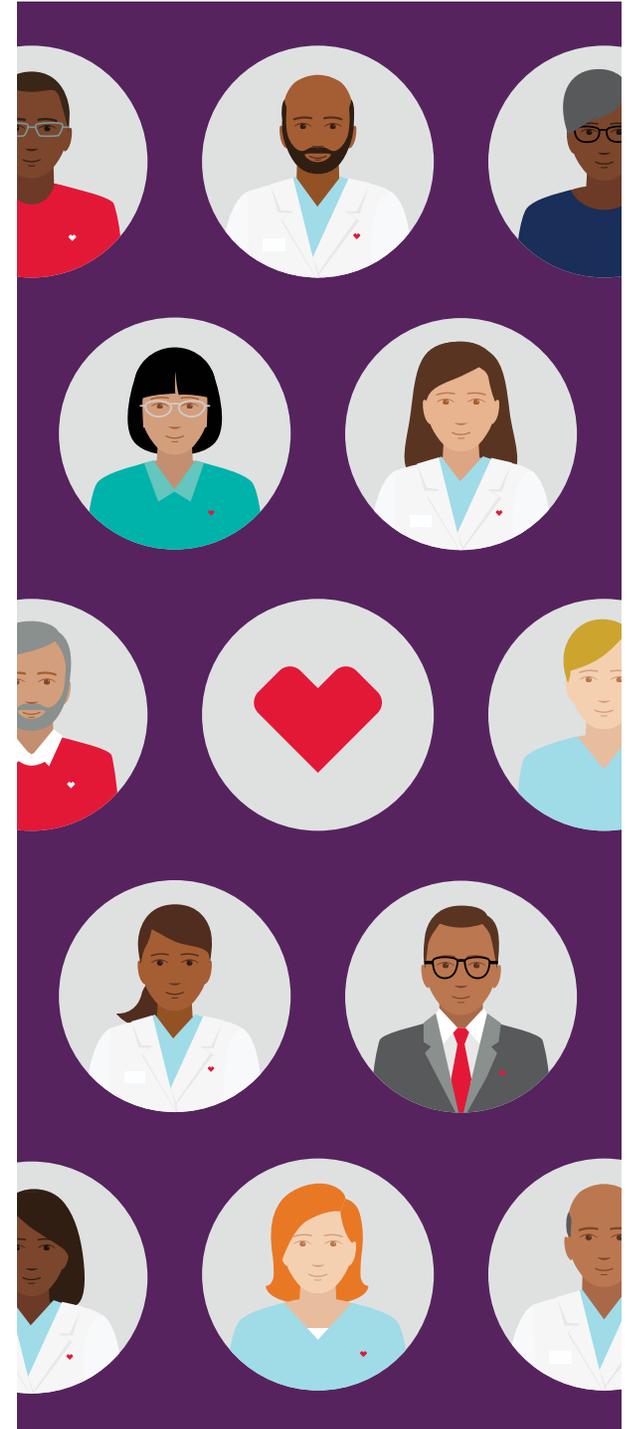
We also achieved a perfect score on the 2017 Disability Equality Index, a national benchmarking survey and report on disability inclusion and workplace policies and practices. We are committed to breaking down the employment barriers faced by people with disabilities.

In 2016, we began opening training centers for individuals with disabilities. These mock stores feature the equipment of a typical CVS Pharmacy location and individuals with disabilities learn the tasks required for working in a retail or pharmacy setting. We plan to open 30 of these centers by the end of 2018.

In August 2017, our New York City Regional Learning Center was recognized for its efforts with an ADA Sapolin Award from the City of New York, in commemoration of the 27th anniversary of the Americans with Disabilities Act. Since 2014, more than 250 individuals with disabilities have completed a work experience training program at CVS Pharmacy locations in the city.

Strengthening Diversity Networks

As one of the country's largest employers, we believe it's important to offer programs that help



our colleagues develop professionally, while also providing the opportunity to connect through a particular affinity, culture or perspective. Our Colleague Resource Groups (CRGs) serve this purpose for more than 8,300 employees across 45 states and Puerto Rico.

There are more than a dozen CRGs operating 40 chapters across our organization; in 2017, six new chapters were launched and four new states gained chapter representation. CRGs offer an opportunity for professional development, education, awareness-building and community involvement. They also facilitate open dialogue between senior leadership and colleagues about company initiatives, policies and practices. Our leadership values the insight of CRGs into particular markets, demographics and issues.

A few examples of how our CRGs supported our business this year include:

- Our Outliers CRG launched Analytics University, a professional development program for colleagues seeking to build on their analytic capabilities and network with mentors across the company.
- The Portuguese and Latino Employee Group (PLEG) volunteered time and talent to help enhance new retail colleague compliance training with a Spanish audio script.
- Our CRG Mentoring program reached 870 members, a 54 percent increase over 2016. The program facilitates enterprise-wide mentoring and creates partnerships within a diverse participant base. It leverages data and smart design to make it easy and enjoyable for participants to join and be paired with mentors.
- Several groups partnered with our retail seasonal merchandising group to provide feedback on retail offerings related to cultural and religious holidays and observances.

Our colleagues who participate in CRGs are more engaged in both our company and their jobs. In 2016, we established a target to increase participation in CRGs to 10 percent of our workforce by 2025. Currently, 3.43 percent of our workforce participates in a CRG, up from 2.65 percent in 2016.

To further strengthen our program, in 2017 we formalized the process for selecting the CRG Enterprise Co-Chairs, including a formal interview and job level requirements. These roles provide an opportunity to develop leadership competencies and skills while advancing CVS Health business goals. The Co-Chairs develop an annual business plan outlining how each CRG will support the four pillars of our enterprise diversity management strategy and have the opportunity to interact with enterprise leaders.

Developing Spanish-Speaking Pharmacists

The number of U.S. residents who regularly or fluently speak Spanish at home has more than doubled since 1990 and the number of bilingual pharmacists has not kept pace, creating potential gaps in culturally-relevant care for patients who prefer to speak Spanish.

CVS Health actively recruits bilingual pharmacists for Spanish-speaking communities across the U.S. In 2017, we launched a new pharmacy intern program for bilingual pharmacists. The inaugural group of 20 interns spent the summer shadowing pharmacists fluent in Spanish in a Spanish-speaking community. The focus was on understanding the specific needs of the Hispanic community, improving Spanish fluency and building pharmacy skills. Many of the interns intended to relocate post-graduation to a market with a high concentration of Spanish-speaking patients.

We also provide scholarships from the CVS Health Foundation to support bilingual students attending pharmacy, nursing and physician's assistant schools around the country.

Diversity Leadership Teams

Our Diversity Leadership Teams (DLTs) bring together managers within a business unit or retail market to drive innovation and growth using a strategic diversity management business process. In 2017, our Pharmacy Operations DLT undertook a project to help Spanish-speaking customers and patients improve medication adherence. The team developed a system for customers to receive adherence reminders in their preferred language, resulting in a 10-basis-point increase in medication adherence for Spanish-speaking patients.



Helping Veterans Find Meaningful Careers

Ricky Derring is an American hero. In his 14 years with the U.S. military, he was an Army Ranger, a sniper, and a Green Beret serving in Pakistan, Kyrgyzstan, Afghanistan and Iraq. “I knew that every single day, I made a difference,” he says of his service.

Then he came home. “I wasn’t worried about getting a job,” he says. “I was worried about having a purpose.” Derring has found a home at CVS Health, an organization with a purpose that he has embraced and come to champion. He manages a store in North Carolina and helps his fellow veterans make the often-challenging transition to civilian life.

Derring is a key part of our new Talent Connect Center, which opened in July 2017 to serve the Fort Bragg, NC military community. CVS Health and a small number of other companies participate in the newly dedicated Fort Bragg Career Resource Center, which connects service members who are separating from service with companies that can provide training and employment.

When he’s not busy with his full-time job managing a CVS Pharmacy, Derring manages a 12-week training program for veterans who want to become store managers. He currently oversees 19 trainee veterans

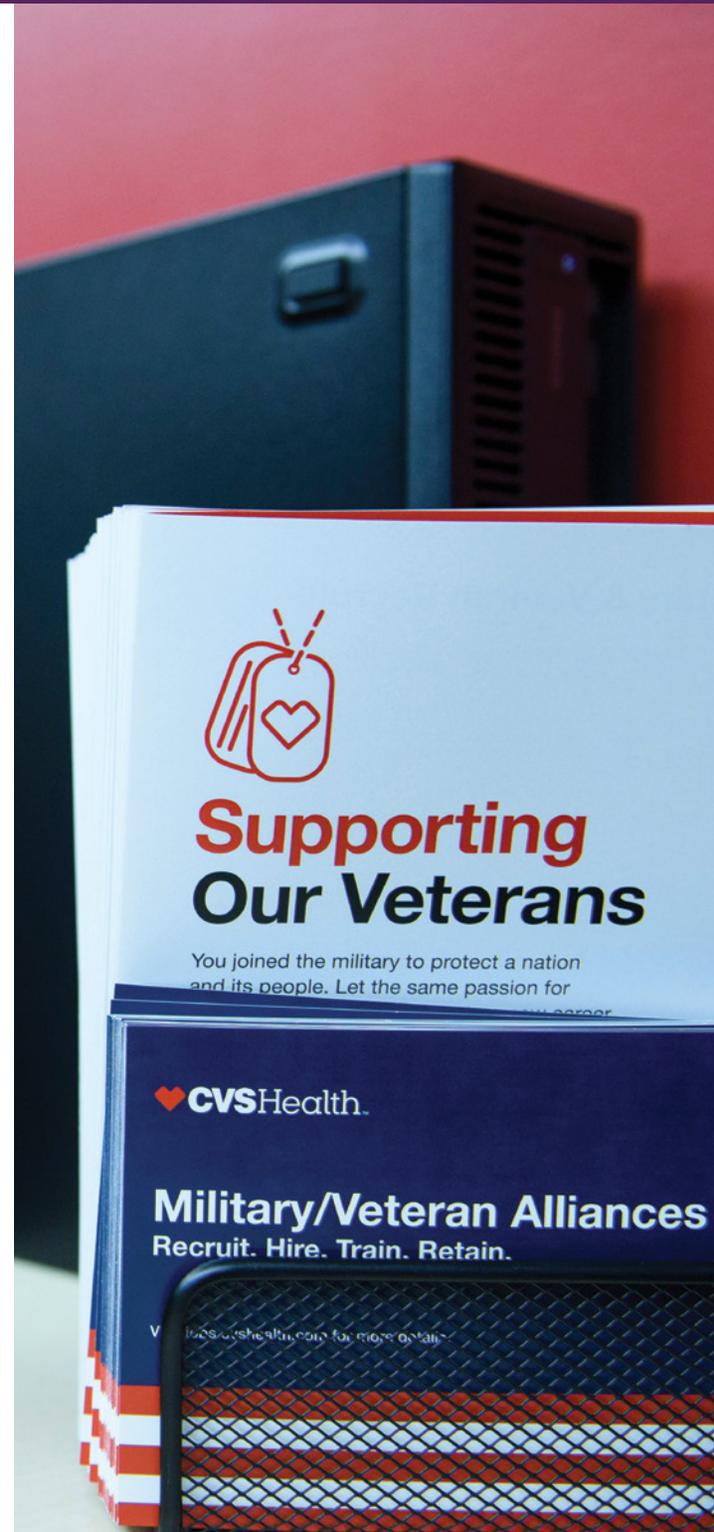
working in stores throughout his region. Graduates from the program will manage stores throughout the country.

About 200,000 enlisted service members leave the U.S. military each year; that rate is expected to remain high through 2019. Many companies have yet to discover the benefits of recruiting veterans with their leadership, teamwork and STEM skills.

Many soldiers have little or no experience applying to conventional civilian jobs. The Talent Connect Center is equipped with virtual-reality equipment that helps to simulate interviews and videoconferencing technology that helps soldiers network with CVS Health leaders. They can learn more about the CVS Health culture and roles and opportunities around the country.

A Smooth Transition

The Talent Connect Center also offers training in the Army Career Skills Program (CSP), in which employers provide low- or no-cost training to active-duty soldiers who will leave the military in six months or less. The CSP smooths the transition to civilian life by helping soldiers gain the skills they need to be successful before entering the open job market.





Derring, also part of CVS Health's Emerging Leaders program, says the CSP helps veterans acclimate to the very different structure and culture of civilian life. And when soldiers nearing the end of their service meet Derring, they encounter a role model for a successful transition.

Derring himself is inspired by several CVS Health managers above him who are veterans, including his District Manager, Mark Scheidig. "My District Manager appreciates the values of the military, and I knew he was going to be able to guide me through my development," Derring says. "CVS Health has such a focus and dedication to training and building the business from within."

"I wasn't worried about getting a job. I was worried about having a purpose."

The Talent Connect Center at Fort Bragg is just one part of our Heroes2Careers Military Hiring Program, which promotes the recruitment, hiring and advancement of veterans. We are exploring similar opportunities for veterans and other military branches.

Since 2015, CVS Health has hired nearly 10,000 colleagues with military experience and almost 3,000 military spouses. In 2016, we hired our first Director of Military Programs, who helps veterans find employment and develops partnerships that support the military community.



Regulatory Compliance and Voluntary Standards Are Met or Exceeded

Operating a company of our size and scale comes with great responsibility. All of our stakeholders expect us to act with integrity, transparency and accountability. Our patients and customers entrust us with their health and their personal information. And our colleagues often rely on us for their livelihoods.

In 2017, we welcomed a new board member with invaluable experience; advocated for measures to reduce drug costs and fight prescription drug abuse; submitted to a rigorous new audit of our handling of sensitive data; and implemented a proactive new data-loss prevention tool. We take countless other measures each day to ensure our commitment to protect privacy and live up to the expectations of our millions of stakeholders.

Transparency Around Corporate Policies and Practices

We have longstanding policies in place to ensure transparency in our governance practices. We hold ourselves accountable to our stockholders through regular engagements and communicate openly about our participation in the political process.

Electing a New Board Member

At the 2017 Annual Meeting of Stockholders, CVS Health stockholders voted to elect Mary L. Schapiro as a member of the Board. Schapiro was the first woman to serve as chairman of the U.S. Securities and Exchange Commission, and is the only person to have served as both Chairman of the SEC and Commissioner of the Commodity Futures Trading Commission.

The rest of the sitting CVS Health directors were re-elected at the meeting. All of them are independent except for our President and CEO, Larry Merlo. The Board membership in 2017 includes eight men and four women, one of whom is African-American. For more details about our Board and Board diversity, see our [Appendix](#).

Engaging with Stockholders

We engage proactively with our stockholders to ensure that we understand their needs. In the fall of 2017, we again reached out to our top 50 stockholders to gather feedback on a wide range of topics. We also streamlined and updated our Certificate of Incorporation (Charter) to make it more readable and accessible. Pending approval from stockholders at the 2018 Annual Meeting, we will post it (and our By-laws) on our [website](#).

During our Annual Meeting in May 2017, 52 percent of our stockholders voted in favor of a proposal to amend CVS Health's governing documents to allow individual stockholders owning at least 15 percent of our shares the right to call a special meeting, provided certain requirements are met. The current ownership threshold in our Charter and By-laws for calling a special meeting is 25 percent. Our Board is submitting a proposal for a Charter amendment in accordance with this vote at our 2018 Annual Meeting, and will amend the By-laws as well once stockholders approve the Charter amendment.

Some of our stockholder requests focus on diversity. Diversity has long been one of the named qualification criteria that our Nominating and Corporate Governance Committee has employed when selecting new Directors. In January 2017, in response to stockholder feedback, the Committee added a pledge in its Charter to include "in each search qualified candidates who reflect diverse backgrounds, including diversity of gender and race."

More detail on stockholder proposals can be found in our proxy statement.





Participating in the Political Process

CVS Health is committed to supporting the development of sound public policy in health care. Our [Public Policy Principles](#) outline our priorities, which include addressing health care costs, quality and access, essential factors in helping people on their path to better health. To advance our policies, we work with federal and state policymakers, others in our industry, the broader business community, and non-profit and civic partners.

Please see the [Combating Prescription Drug Abuse](#) section in our [Health in Action](#) pillar for a description of our advocacy for legislation that would help fight prescription drug abuse.

Advocacy to Reduce Drug Costs

In 2017, we engaged legislators around the role of PBMs such as CVS Caremark in controlling drug costs. We also advocated for legislation and regulation that would improve the affordability of needed medications. Our positions include:

- The U.S. Food and Drug Administration (FDA) should address the backlog of generic applications, and prioritize their review to emphasize generics first.
- The FDA needs a consistent, reliable process for reviewing biosimilars (the generic version of FDA-approved biologic drugs).
- High deductible plans with health savings accounts

should have the option of covering prescription drugs outside the deductible regardless of the preventive exception.

- More should be done to restrict anti-competitive behavior by drug manufacturers.

CVS Health Advocacy Network

In November 2017, the CVS Health Advocacy Network was launched to colleagues at the director level and above. The Advocacy Network is a platform that makes it easy for colleagues to engage with lawmakers on issues that are important to CVS Health and those we serve. Participants receive informational emails on legislative and public policy issues and occasional requests to take action. Actions include letter writing campaigns and phone calls to legislators about public policies that have the potential to affect health care cost, quality and access. Colleagues can also share their story about the company's impact on their communities.

Transparency on Political Activities

In 2017, we scored a 91.4 percent on the CPA-Zicklin Index, a benchmark of the political disclosure and accountability policies and practices of leading U.S. public companies. The score places us in the highest tier of the Index, a group CPA-Zicklin refers to as the "Trendsetters."

Please see the [Index](#) for further discussion of our public policy and political activities.

Code of Conduct training completed by colleagues



99.9%

Compliance Policies and Practices

Our commitment to compliance starts at the top. Our President and Chief Executive Officer and our Board of Directors have established an enterprise-wide culture that promotes the importance of compliance.

Our compliance program incorporates the seven elements of an effective program as outlined in the Federal Sentencing Guidelines and generally applies to all colleagues, vendors and the Board of Directors.

This strong culture of compliance is reflected in the completion rate of annual training on our Code of Conduct. In 2017, 99.9% of our colleagues completed this training. In 2018, we will benchmark our Code of Conduct against peer companies to ensure it remains relevant and useful to our colleagues.

We recently revamped our quarterly compliance training to better meet the needs of each colleague. Specifically, we improved our training with enhanced designs and refined training objectives to reflect relevant and up-to-date content.

Colleagues, business partners, patients and anyone else with concerns about our company can call our anonymous and confidential Ethics Line. Each call to our Ethics Line is investigated, and the company promptly addresses any potential compliance issues.

Enhancing Our Information Security

At CVS Health, we are committed to protecting the privacy and security of our colleagues, customers and patients. Maintaining the confidentiality,

integrity and accountability of CVS Health data is not only a regulatory responsibility, it is essential to advancing our purpose. The measures we take to protect and secure personal information across the enterprise are implemented through our Information Governance Framework.

Health care companies are a popular target for hackers because of their access to sensitive personal health information. Health care companies like ours faced growing cybersecurity threats in 2017, including the proliferation of ransomware. We did not experience any significant breaches and continue to put a high priority on operating system maintenance.

We mandate annual Information Security Awareness and Social Engineering Detection training for all colleagues. In 2017, we added a channel on our intranet where our Information Security team can post on current topics and reach more colleagues.

Also in 2017, we implemented a new data loss prevention tool. The tool allows us to proactively scan our operating environment to look for sensitive information and take additional measures to prevent it from exiting our firewall. We also upgraded our CVS Caremark proxy servers to improve protection against malicious websites.

Our function maturity level improved in this year's assessment and was ranked a 4+ on a 5-point scale.

As an additional control enhancement, we implemented centralized authentication for the servers that support our payment-card processing environment and expanded the requirement for system administrators to use multi-factor authentication (the use of more than one element to validate the identity of a person seeking access to the platform). We plan to further our implementation of multi-factor authentication in 2018.

In 2018, we plan to expand our capabilities to proactively identify anomalies in user behavior that require investigation. We are also considering measures that move beyond cybersecurity into cyber resilience, which incorporates concepts of operational resilience and business continuity to enhance our ability to deliver intended outcomes at all times.

Protecting Customer, Patient and Colleague Privacy

Patients, customers, colleagues and business partners rely on us to protect a wealth of private and confidential information. Our privacy team works closely with our information security team to implement safeguards and processes to protect this information.

Every CVS Health colleague receives annual privacy training, which is updated each year based on emerging issues. In 2017, we reorganized privacy roles so that each of our key business units has a full-time privacy officer.

We are currently participating in a "SOC 2" (Service Organization Controls for Service Organizations) initiative. This audit is for the benefit of business partners who seek detailed information and assurance about our security, availability, processing integrity, confidentiality and privacy controls. We are on track to receive our SOC 2 report from an independent third party in 2018.

Also in 2017, we conducted a benchmarking of our privacy function that covered areas such as privacy risk assessments, privacy management, compliance and planning for privacy incidents. The benchmarking was conducted by CEB (now Gartner), with pharmaceutical companies and PBMs as the peer set. Our function maturity level improved in this year's assessment and was ranked a 4+ on a 5-point scale.

More details related to Information Security and Privacy can be found in the [Index](#).





Supply Chain Responsibility

CVS Health is one of the nation's largest companies, in the top 10 of the Fortune 500 by revenue. Our business decisions resonate throughout the nation's economy, affecting thousands of suppliers and tens of thousands of jobs. We're committed to using our size to create economic opportunity, promote respect for human rights in our supply chain and contribute to the communities we serve.

In early 2017, we became one of a small group of companies named to the [Billion Dollar Roundtable](#) for corporations that spend more than \$1 billion on diverse- and women-owned suppliers annually. To build on this milestone, we continued to raise the bar on our performance by setting even higher diversity spending goals for 2020. We also embedded our new [Human Rights Policy](#) further into our organization and continued our strict zero-tolerance policy when auditing factories on a variety of social issues.

Supplier Diversity

With three major recognitions in 2017, we've been acknowledged as a leader in supplier diversity. We're striving to meet these higher expectations with new, ambitious spending targets for 2020 and ongoing efforts to identify, nurture and maintain relationships with diverse partners throughout our supply chain.

Our Supplier Diversity Program is designed to ensure all types of businesses are given the opportunity to build long-term relationships with CVS Health. Sourcing from diverse-owned, women-owned and small businesses creates economic opportunity and broadens the range of goods and services we offer. For our CVS Caremark PBM, the program also meets contractual requirements with our clients for diverse supplier inclusion. Prospective PBM clients take many of our sustainability and social responsibility efforts into consideration when selecting CVS Caremark for PBM services, including supplier diversity.

In 2017, we were proud to be named to the Billion Dollar Roundtable, an organization that recognizes and supports corporations that achieve \$1 billion in annual spending on diverse- and women-owned suppliers. We also earned a place on DiversityInc's 2017 Top 50 Companies for Diversity list for the first time, in large part due to our focus on diverse supplier spending. Finally, we were recognized by the country's leading corporate membership organization, the National Minority Supplier Development Council, as Corporation of the Year Top Performer.

Inspired by the success and growth we've seen in this area over the last few years, we've set new targets to:

- Increase our annual spending with Tier I (prime) diverse- and women-owned suppliers to \$1.5 billion by 2020.

- Increase our annual spending with Tier II (sub-contractor) diverse- and women-owned suppliers to \$1 billion by 2020.

In 2017, we spent \$2.3 billion with diverse Tier I suppliers and \$557 million with diverse Tier II suppliers.

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 were also given diverse supplier spending goals. Failure to achieve these goals can lead to penalties up to termination of their contract.

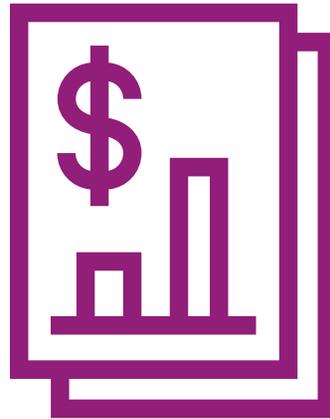
To support our Tier II spending goals, we have begun to assist Tier I suppliers in expanding their diverse supplier base. In 2018, we plan to launch a connected platform in which our Tier I suppliers can post opportunities for diverse suppliers.

Members of the Billion Dollar Roundtable share best practices on sustaining and bolstering their support of diverse suppliers. Inspired by the example of another Roundtable member, we plan to host a brainstorming session which will bring together suppliers, academics, advocacy groups and procurement experts to ideate ways to achieve our 2020 goals.

Recognitions for Supplier Diversity, 2017

- Greater New England Minority Supplier Development Council, Corporation of the Year
- Women's Business Enterprise National Council, Gold Distinction, America's Top Corporations for Women's Business Enterprises
- National Minority Supplier Development Council, Corporation of the Year
- Black EOE Journal, Best of the Best—Top Supplier Diversity Program
- Professional Women Magazine, Best of the Best, Top Supplier Diversity Programs
- Hispanic Network Magazine, Best of the Best, Top Supplier Diversity Programs
- NGLCC & National Business Inclusion Consortium, Best of the Best, Companies for Inclusion
- Omnikal, America's Top 50 Inclusion Corporations
- WE USA, Top 100 Corporations "Best of the Decade"
- Minority Network USA, America's Most Admired Corporation for Supplier Diversity
- U.S Hispanic Chamber of Commerce, Million Dollar Club Corporation for Hispanic Business Enterprises

Beyond the Spend: Economic Impact of Supplier Diversity Spending



38K+
jobs supported

\$1.9B
in incomes earned

\$5.8B
contributed to
the U.S. economy

Identifying New Partners

We expand our diverse supplier networks by attending local and national events. In 2017, we attended 12 such events sponsored by organizations such as DiversityInc and the Women's Business Enterprise National Council.

At these events we educate and nurture suppliers, in addition to networking. At one trade show we held informal trainings we called "Practice Your Pitch." We helped suppliers hone their presentations to us and our fellow exhibitors, including their value propositions and capability statements.

We also held three construction business building events in geographic areas where we are planning to remodel stores. During these events, decision makers meet with local suppliers that are qualified to perform these services to evaluate their capabilities and rank their probability of doing business with us. Diverse suppliers with a high probability ranking can start the supplier qualification process that will lead to business opportunities. These events send a message to communities that we want to be a good neighbor and a source of economic opportunity.

Diverse suppliers can register through our online portal for not-for-resale sourcing and procurement opportunities. In 2017, more than 1,200 certified diverse suppliers registered through the online portal. We are currently doing business with more than 3,500 diverse suppliers including small businesses across all of our business units.





Sponsored by Roger Williams University and CVS Health, the Executive Learning Series for Diverse Suppliers program teaches management and leadership skills that can help executives secure contracts with large businesses, including ours. In 2017, the 16 program participants piloted a learning platform that offers thousands of personalized, self-paced tutorials on business management.

As part of this program, participants were integrated into our e-sourcing platform to learn about our sourcing process and technology. Suppliers had the opportunity to present to our procurement professionals and receive coaching and feedback. Based on the success of the program, we plan to offer it to all of our registered suppliers.

Human Rights and Supplier Compliance

We set high standards for human rights in our workplace and vendor policies and practices. In 2017, we further embedded our [Human Rights Policy](#) into our organizational practices.

Published at the end of 2016, our Human Rights Policy encompasses our company, our subsidiaries, and all business partners in our supply chain. Aligning with the United Nations Guiding Principles on Business and Human Rights, the policy states our commitment to respecting and supporting internationally recognized human rights, including fundamental labor principles.

In 2016, we developed a target around implementation of the policy with all colleagues, aiming to achieve 100 percent acknowledgment from all colleagues of the Human Rights Policy by 2019. We are on track to achieve this goal a year ahead of schedule. Our Human Rights Policy is now linked to our Code of Conduct, and is currently reviewed and acknowledged by every new colleague who acknowledges the Code of Conduct. By the second quarter of 2018, all existing colleagues will be required to review and acknowledge the policy when they undergo mandatory annual Code of Conduct training.

Monitoring Our Global Suppliers

Our Factory Audit Program monitors our suppliers' compliance with social, legal and trade security standards through risk-based audits conducted by our independent third-party reviewer, UL, and other third parties. We audit all store brand and select non-salable merchandise, including uniforms and bags.

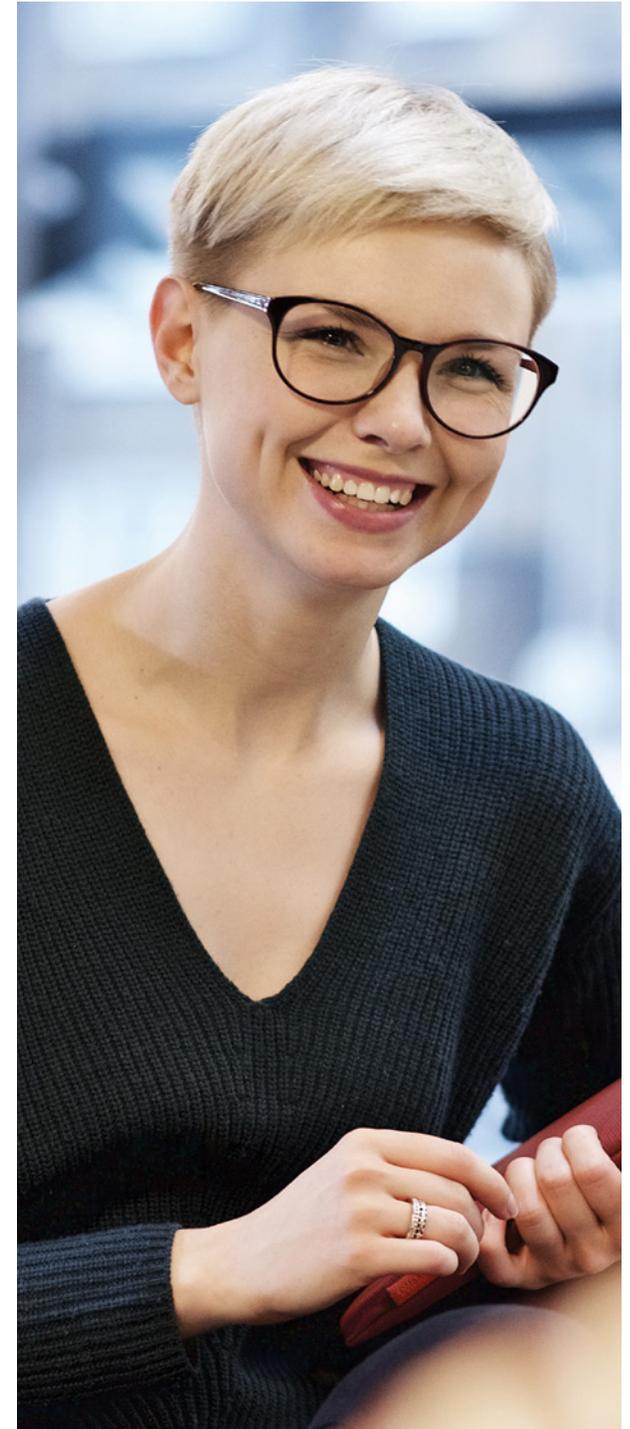
Supplier factories outside the U.S. and Canada also undergo a human-rights screening. We also assess certain subcontractors based on their risk profile.

We have a zero-tolerance policy for issues 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 non-disclosure of finished goods subcontracting. For factories with a zero-tolerance failure, we take action up to and including canceling all orders and placing the factory on probation for one year.

In 2017, we performed initial and follow-up assessments of 792 factories and discovered eight zero-tolerance incidents. In most cases, orders were canceled or put on hold.

The small number of zero-tolerance incidents reflects the strictness of our supplier audits. For example, our policy of canceling orders for any findings with a child-labor issue is significantly more stringent than that enforced by some of our competitors.

Please see the [Index](#) for more details on our vendor standards, audit program, and audit results.



About This Report

CVS Health’s 2017 Corporate Social Responsibility (CSR) Report provides an overview of our company’s social and environmental commitments and progress against our CSR-related goals and targets. We are committed to reporting on our CSR performance annually, and this report follows our 2016 CSR Report.

Boundary and Scope

Consistent with previous reports, the boundaries for this report extend to all United States (U.S.) company owned and/or operated facilities, administrative offices and retail pharmacies for the corporate enterprise. Company operations outside the U.S. represent less than one percent of the total enterprise and are not covered in this report. Data contained in this report covers activities that occurred in fiscal year 2017 (January 1 - December 31, 2017), unless otherwise noted.

Content and CSR Materiality

In 2017, we conducted a materiality assessment in accordance with the GRI Standards’ guidance for defining material topics. The material topics inform the content of our reporting and CSR strategy. For additional detail, please see [CSR Material Topics](#).

Disclosure and Assurance

CVS Health management is responsible for the preparation and integrity of the information in this report. The enterprise metrics and goals in this report are established through a rigorous review process involving internal subject matter experts, and we believe this report accurately and fairly represents our CSR activities, programs and

results for the fiscal year ending December 31, 2017. The report was submitted to the Nominating and Corporate Governance Committee of the Board of Directors for review, and was reviewed and approved by members of CVS Health senior management, including our internal Disclosure Committee, which is comprised of management from principal functional areas within the company. This report has not been externally assured or verified by an independent third party, except for our carbon footprint data, which is assured by EY, an independent third party. The company may consider having additional content and data in its future CSR Reports externally assured. This report was produced based on the Global Reporting Initiative (GRI) Standards. More information on GRI is available at www.globalreporting.org.

Your Feedback

Your feedback is important to us as we continue to look for ways to improve our reporting and provide you with the information you need. Please submit your feedback to CSR@CVSHealth.com.

CVS Health Corporation

Attn: SVP, Corporate Social Responsibility and Philanthropy
One CVS Drive, Woonsocket, RI 02895
401-765-1500

Preparation of this Report

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

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

Health is everything.TM