

Supplier Diversity Impact Report

An Analysis of the Impact of CVS Health's
Supplier Diversity Program on the U.S. Economy



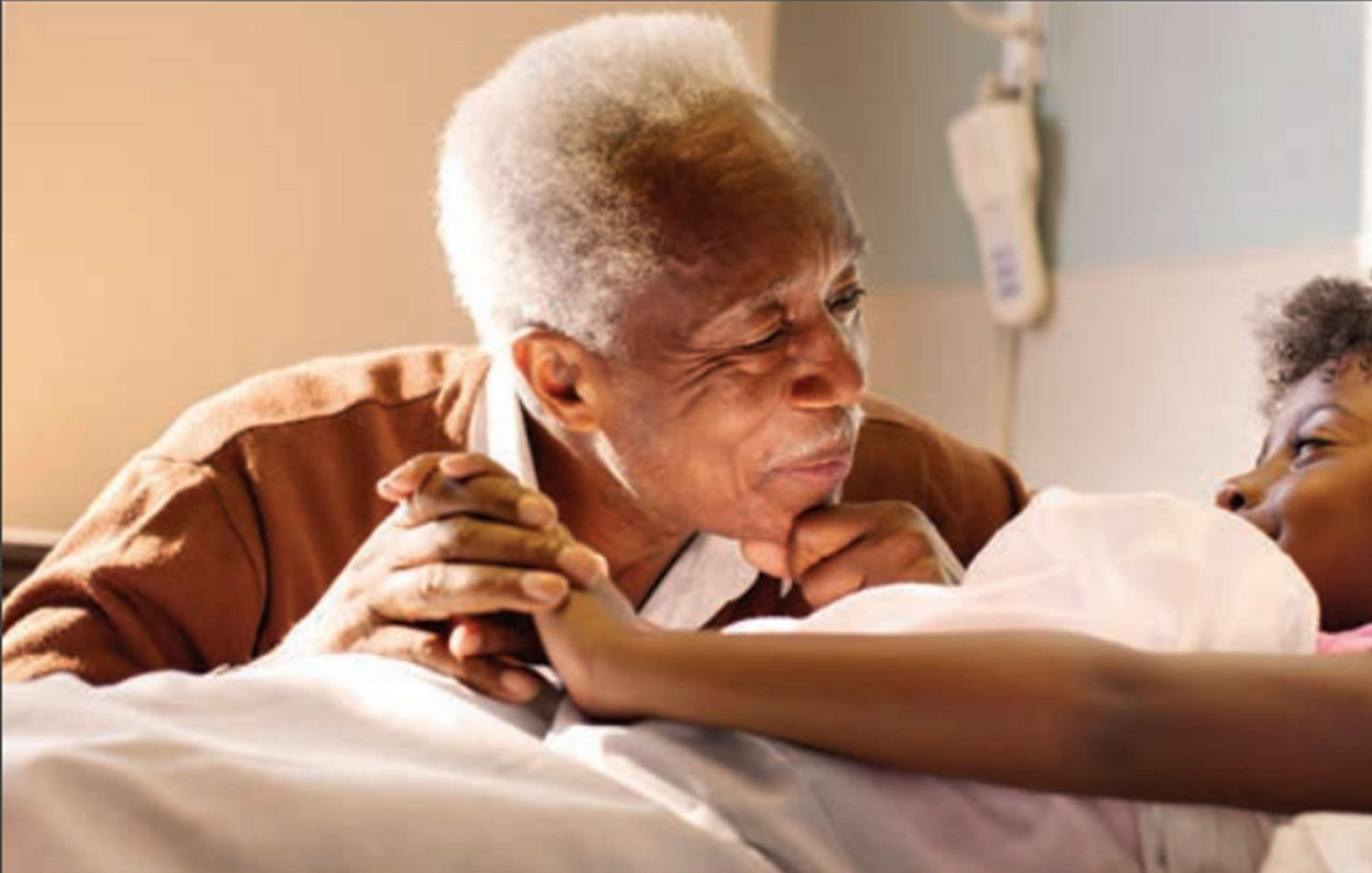


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Executive Summary

Each year, CVS Health delivers health care services in all 50 states and touches the health care of 100 million people, each with unique needs and backgrounds. As our country's demographics change and our patient and customer population becomes increasingly diverse, we are keeping pace by diversifying our workforce and supply chain.

One of our most important tools to make progress in these areas is our Supplier Diversity Program, recognized as one of the most active and progressive programs among U.S. corporations. By including

diverse suppliers and diverse-owned pharmacies, we are also creating jobs and economic opportunities for local businesses in the communities we serve.

In 2016, CVS Health's engagement with small and diverse businesses **led to over \$5.1 billion in contributions to the US economy and sustained 32,339 US jobs.**

This is the sum of the impact through direct purchases by CVS Health from its diverse suppliers, these companies' subsequent purchases from their supply chains, and spending by employees of these companies in the wider consumer economy.

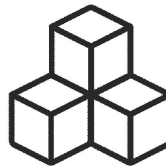


Impact Through Supplier Diversity



\$2.0B

Purchases from small and diverse suppliers



\$5.1B

Economic Contribution



32,339

Jobs Supported



\$1.7B

Earnings through jobs

Supplier Diversity Program

Established in 2000, CVS Health's supplier diversity program actively seeks diverse suppliers of products and services to meet our operational needs. The program is designed to complement our commitment to providing outstanding service to our customers and to recognize the critical role diverse suppliers have in our continued success.

Why focus on Diversity?

Fosters Innovation

Diverse suppliers offer the richness of new ideas, products and services that help us better relate to our customers and patients for all communities.

Creates Economic Opportunities

Supporting diverse suppliers, we help generate economic activity in the communities where our patients and customers work and live.

Provides Access to Talent

Our support of diversity provides attracts talent from all areas and also provides us access to talent through our diverse suppliers.

Improves Business Performance

Minorities represent a growing customer segment for goods and services. Diverse suppliers provide insight into minority consumers' purchasing patterns and preferences, and help develop a positive reputation among minority customers.



“We operate under our common purpose to help people on their path to better health, and they do so by ensuring the entire company — from its pharmacists and retail store staff, the face of CVS Health, to its behind-the-scenes supply chain — is representative of everyone it serves. To remain relevant in health care, we have to understand the community, we have to be part of the community, and we certainly need to reflect that community. What does that look like? It looks like pretty much the entire country.”

■ **David Casey, Chief Diversity Officer**

Purchases from Diverse Suppliers

Our Supplier Diversity Program is designed to ensure all types of businesses are given the opportunity to build long-term relationships with CVS Health. When we started 2015, our intent was to move closer to our goal of a \$1 billion spend on diverse Tier I suppliers by 2017, or 10% of our total sourceable procurement spend.

\$2.0B

Purchases from small and diverse suppliers



3,282

Number of small and diverse suppliers



At CVS Health, the strength of our program begins with a strong commitment throughout the organization. We integrate supplier diversity initiatives into our overall corporate business plan, including goals specific to supplier diversity. Our progress is monitored by our vice president of procurement and the CVS Health senior leadership team on a quarterly basis. In addition, the compensation of senior leaders, including the vice president of procurement, is directly tied to successful supplier diversity results. We also require a commitment to supplier diversity from our vendors and potential vendors.

Partnering to increase Supplier Diversity adoption

Our efforts to work with diverse suppliers extend outside of the company through partnership with our vendors in our Tier 2 Program. Through this program, we encourage our vendors increase their own purchases with diverse suppliers.

Our Supplier Diversity team also hosts business-building events with the aim of increasing jobs and positively impacting the local community. These events connect diverse suppliers, CVS Health decision-makers, advocacy groups, and general contractors to offer diverse suppliers opportunities to expand their business through subcontracting on CVS Health and other projects.

We are continually expanding our diverse supplier networks through participation in an array of national diversity organizations, and by hosting and attending local and national events at the following organizations:



Building Capacity of Diverse Suppliers

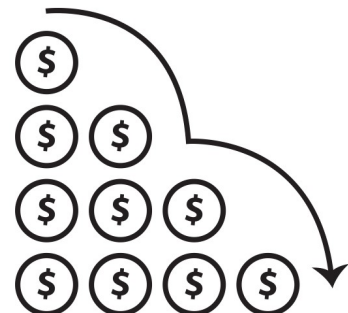
In 2015, CVS Health launched its Executive Learning Series for Diverse Suppliers, designed to build the leadership skills necessary to engage with large businesses. Sponsored by CVS Health and created in partnership with Rhode Island's Roger Williams University, the professional development program offered 160 hours of training over an 18-week period to leaders of 10 diverse businesses from across the country. The program helped participants broaden their skills in a variety of areas, including management and technology, finance and human resources.

Economic Impact

The impact of spending with a company is greater than direct purchases made from the company. This is because money spent with the company is spent again on payroll, goods and services, and other suppliers in its supply chain. Employees use their salaries to purchase goods and services from other businesses. Downstream suppliers similarly use the proceeds from their sales on their employees and other businesses. A chain reaction of indirect and induced spending continues. This economic ripple effect is analyzed in an economic impact assessment.

Impact through Supplier Diversity

Supplier diversity programs help foster jobs and economic activity in underrepresented segments of the business and customer community. Inclusive procurement practices provide opportunities to diverse businesses, that in turn provide greater representation, employment and economic advancement for minority, women, veteran and LGBT communities.



Economic Impact Metrics

The economic impact assessment measures this activity through 4 metrics:

GDP Contribution

Economic activity generated due to the purchases made by CVS Health from minority, women and veteran-owned businesses.

Personal Incomes

Incomes earned by employees at minority, women and veteran-owned companies, their suppliers and their communities.

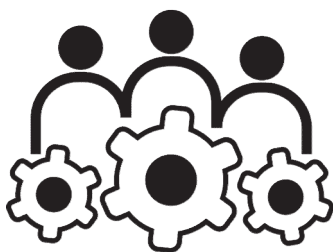
Jobs Supported

Jobs supported at minority, women and veteran-owned companies, their suppliers and within their communities.

Tax Contributions

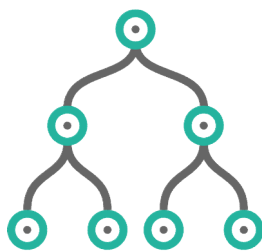
Federal, State and Local taxes (personal, corporate and other) generated due to the supported economic activity.

These impacts are delivered through three core channels:



DIRECT

The benefits accrued to employees of the CVS Health’s suppliers



INDRECT (SUPPLY CHAIN)

The employment supported in the suppliers’ supply chains as a result of the procurement of goods and services



INDUCED (COMMUNITY)

The wider economic benefits that arise when employees of the company and its supply chain spend their earnings.

CVS Health's Supplier Diversity Impact

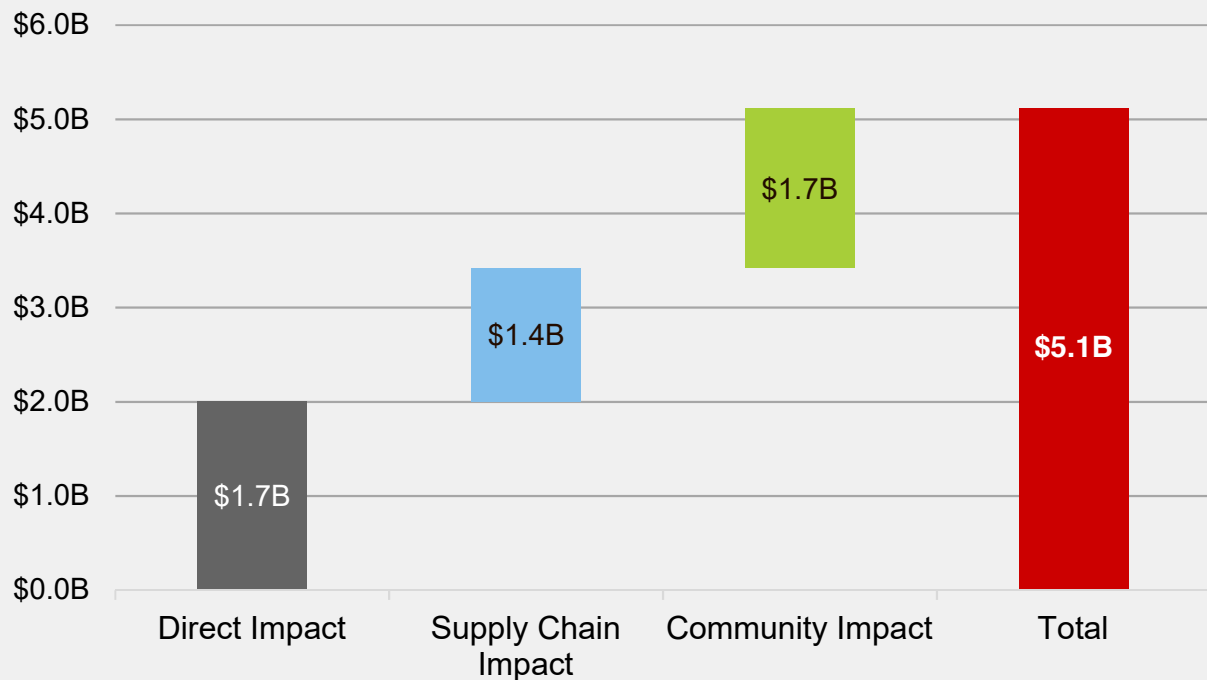
GDP CONTRIBUTION

In 2016, CVS Health spent \$2.0 billion with minority-owned (MBE), women-owned (WBE), veteran-owned (VBE), LGBT-owned and small businesses. These revenues generated an additional \$1.4 billion in economic contribution through their suppliers. This combined activity supported over 21,145 jobs in CVS Health's supply chain. These jobs created additional \$1.7 billion in spending in these companies' local communities.

\$5.1 billion

contributed to the economy
in 2016 through CVS
Health's supplier diversity
spending

2016 CONTRIBUTION TO GDP



EMPLOYMENT

The unemployment rate for women and many minorities is much higher than the rate among the non-minority population. At 8.5%, unemployment in African Americans is twice as high as that for White populations. Similarly, unemployment in Hispanic American (5.8%) is 30% higher. Therefore, creating sustainable jobs is a higher priority for these communities.

CVS Health's Supplier Diversity spending supported over 13,892 jobs at its diverse suppliers. These suppliers' purchases supported 7,253 jobs in their supply chain, and an additional 11,194 jobs in their communities.

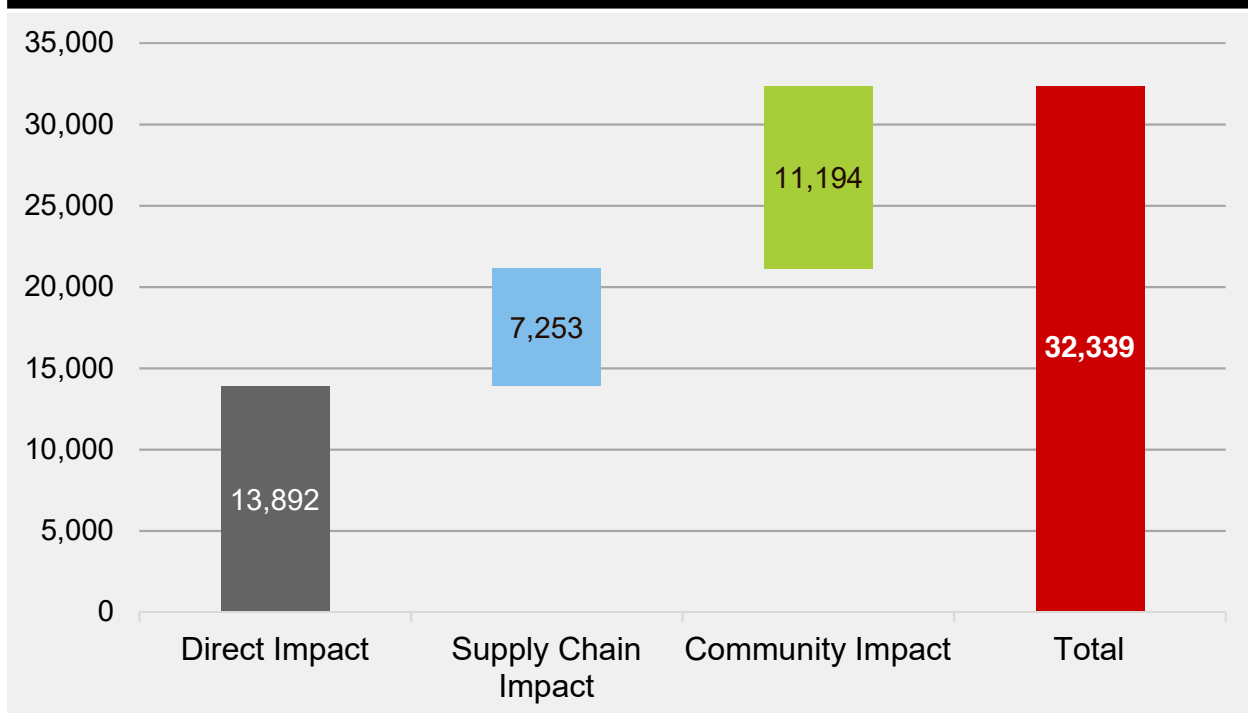
13,892

**jobs supported at small
and diverse suppliers**

2,136

**of these jobs were at
suppliers in high poverty
neighborhoods**

2016 JOBS SUPPORTED





Supporting jobs and families through supplier diversity

MBE

568 suppliers

3,602 jobs



WBE

570 suppliers

2,980 jobs



VET

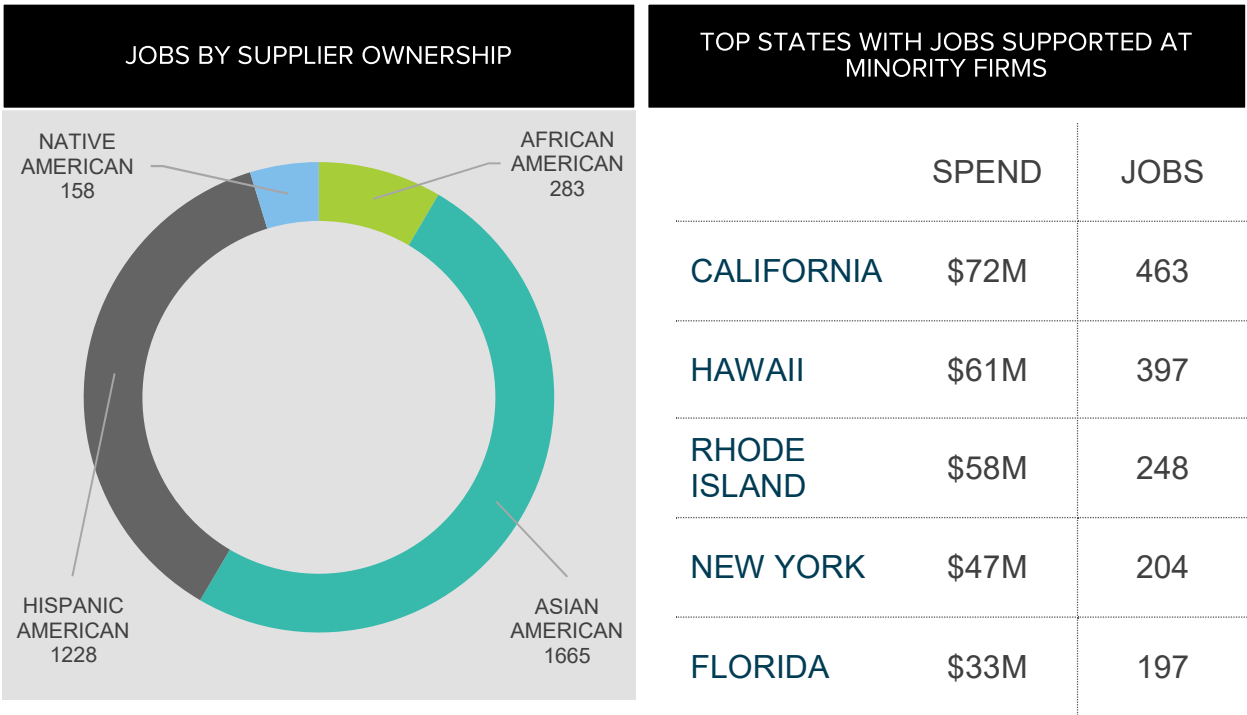
645 suppliers

447 jobs

Impact through Minority Businesses

3,602

Full times jobs supported at minority owned businesses



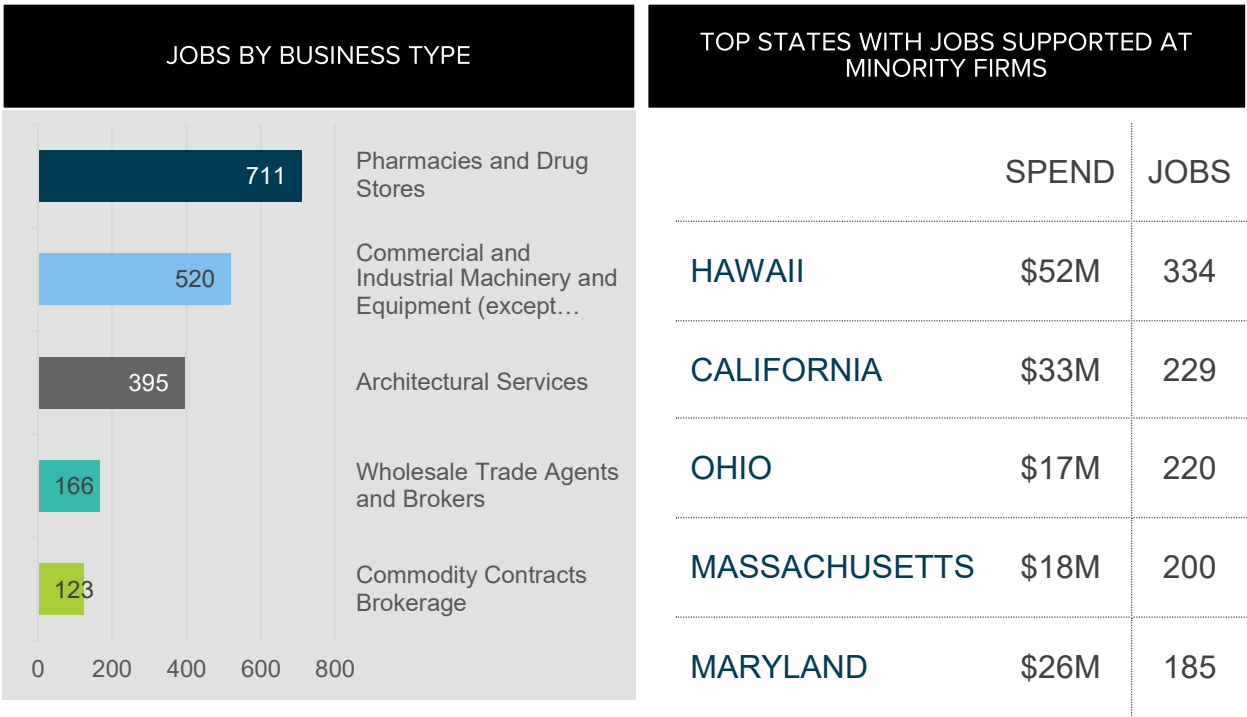
\$202.4 million

Incomes and benefits earned through jobs at MBEs

Impact through Women Businesses

2,980

Full times jobs supported at women owned businesses



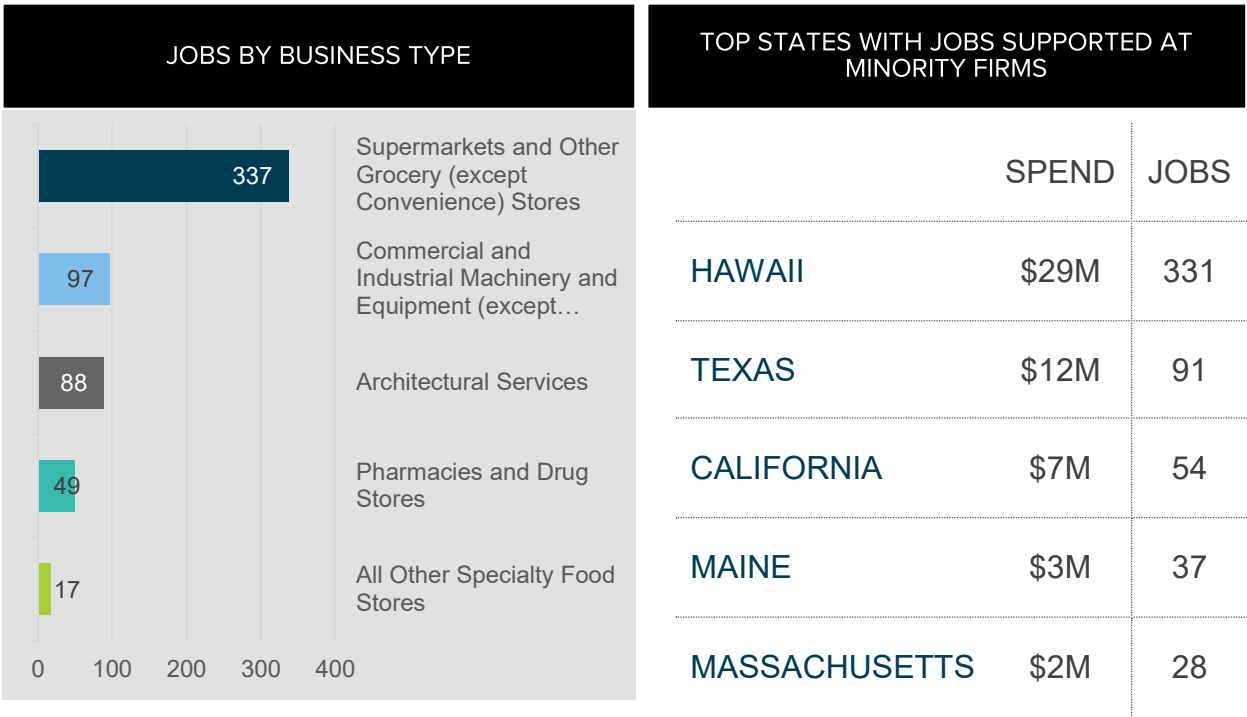
\$154.9 million

Incomes and benefits earned through jobs at WBEs

Impact through Veteran Businesses

645

Full times jobs supported at veteran businesses

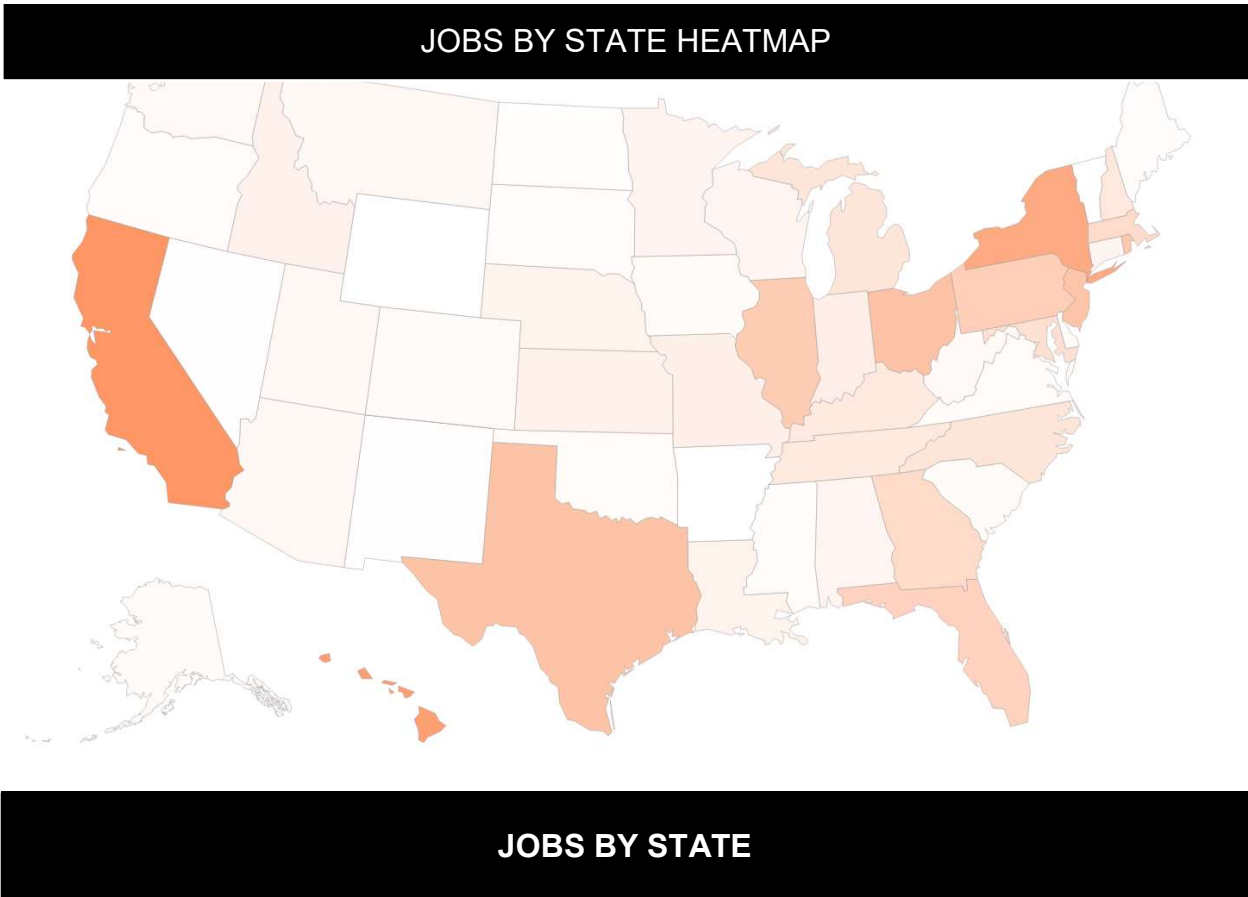


\$28.8 million

Incomes and benefits earned through jobs at VBEs

Regional Impact

With its national network, CVS Health’s supplier diversity spending is spread throughout the US. CVS Health’s supplier diversity activities can be seen the most in California where it supports 2,448 jobs in the local economy. In Rhode Island, its supplier diversity spending supports 1,298 jobs.



JOB'S BY STATE

State	Spend	Jobs	Incomes Earned
RI	\$85,489,411	1298	\$72,140,618
IL	\$114,617,612	1198	\$73,011,354
PA	\$93,721,639	1122	\$61,356,961
FL	\$64,979,956	1031	\$48,102,083
GA	\$47,546,391	844	\$38,189,660
MA	\$64,790,982	838	\$51,809,732
MD	\$54,713,747	696	\$41,997,900
NC	\$33,227,258	589	\$24,425,064
MI	\$39,098,575	586	\$28,191,633
NH	\$48,095,345	516	\$34,052,805
TN	\$30,292,865	491	\$20,420,863
KY	\$29,813,553	484	\$19,616,126
IN	\$24,354,627	369	\$17,684,295
MO	\$25,157,865	358	\$17,160,467
ID	\$16,385,924	304	\$10,056,283
KS	\$17,461,152	297	\$12,620,858
NE	\$15,134,530	284	\$11,102,068
LA	\$15,723,041	270	\$10,995,192
MN	\$21,521,556	247	\$12,681,366
CT	\$21,655,839	235	\$14,816,684
WI	\$18,561,360	210	\$11,049,123
AL	\$17,251,925	199	\$8,327,078

JOBS BY STATE			
State	Spend	Jobs	Incomes Earned
DC	\$31,160,142	182	\$18,204,644
AZ	\$13,963,242	175	\$8,885,152
UT	\$11,634,755	171	\$8,057,959
MT	\$8,014,036	147	\$5,049,133
WV	\$8,874,611	121	\$4,517,787
WA	\$9,827,198	120	\$6,863,133
CO	\$6,919,635	98	\$5,808,254
IA	\$6,341,614	97	\$4,313,972
SC	\$5,974,506	93	\$3,490,031
AK	\$5,941,992	92	\$4,530,508
VA	\$7,175,091	82	\$4,170,418
OK	\$5,754,776	73	\$3,187,299
DE	\$5,199,926	66	\$3,924,950
OR	\$6,226,628	65	\$3,175,233
SD	\$3,299,772	61	\$2,155,032
ME	\$2,845,256	58	\$2,202,268
MS	\$3,418,588	48	\$1,896,886
NM	\$3,294,709	40	\$1,597,490
ND	\$1,589,102	25	\$874,365
NV	\$1,706,508	15	\$674,128

Appendix: Economic Impact Modeling

Economic impact modeling is a standard tool used to quantify the economic contribution of an investment or company. This modeling is based on an “Input-Output” economic model, which uses a series of “multipliers” to provide estimates of the number of times each dollar of “input”, or direct spending, cycles through the economy in terms of “indirect and induced output,” or additional spending, personal income, and employment.¹ As these models measure activity within an economy, the direct impact figures will often not match company annual accounts, which follow accounting standards and rules.

There are several input-output models commonly used by economists to estimate multiplier effects. supplier.io employed the IMPLAN input-output model in developing estimates of spending, income and employment impacts. This model, initially developed by the U.S. Department of Agriculture, examines inter-industry relationships in local, regional, and national economies.

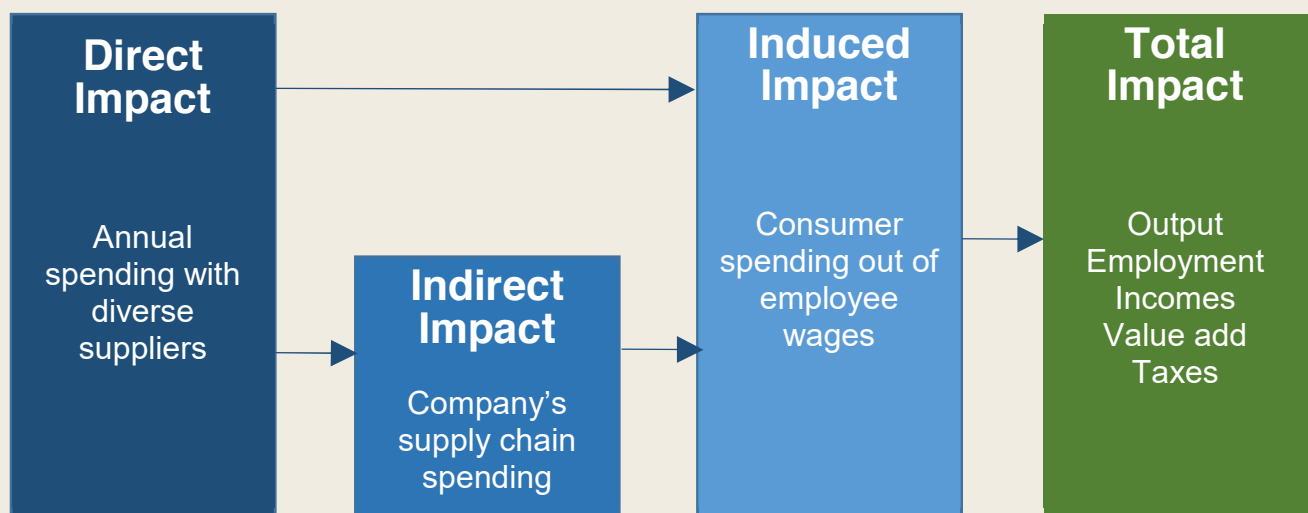
An input-output model uses a matrix representation of a nation’s interconnected economy to calculate the effect of changes by consumers, by an industry, or by others, on other industries and therefore on the economy as a whole. This matrix representation and the related input-output tables ultimately measure “multiplier effects” of an industry by tracing the effects of its inter-industry transactions – that is the number value of goods and services that are needed (inputs) to produce each dollar of output for the individual sector being studied. In essence an input-output model is a table which shows who buys what from whom in the economy.²

METHODOLOGY FOR ESTIMATING DIRECT, INDIRECT AND INDUCED IMPACTS

In conducting this analysis, supplier.io used the 2015 spending by CVS Health with its minority, women, veteran-owned and small businesses as the direct spending or “impact.” An important note regarding assumptions for the geography of the impacts is that jobs are counted in the location of the employer. This assumption does not hold strongly for businesses with employees in other states. In such cases, the number of impact attributed to the state should be considered an upper limit of the potential in the state. In reality, the impact is likely distributed across the states where the businesses have locations or provide service.

The study evaluates the impact of firms at the national, regional, and state levels. In general, the national impact of firms is greater than their regional impact. Input-output multipliers are regional and attempt to measure the impact of a company within that region. Therefore, multipliers for one state do not include the economic activity that may be generated in other states. National multipliers take into account the activity within each state and also the activities between states. The likelihood of finding goods and services required by a firm is greater nationally than it may be within its own state. As a result, its activities generate greater jobs and associated activities when evaluated at a national level rather than at regional or state level.

Direct, Indirect, Induced, and Total Economic Impacts²



Methodology

Note

This report is based on an analysis of data provided by CVS Health and the supplier diversity information in supplier.io's database of nearly 1.6 million active certifications.

ABOUT SUPPLIER.IO

SUPPLIER.IO is redefining supplier data solutions. By providing comprehensive, accurate data in near real time, we help our customers get information they need when they need it to help make accurate business decisions. Companies in all industries rely on our data, insights, and analytics. To learn more about our company, visit <https://supplier.io/>.

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