



INNOVATION  
LEADERSHIP  
COMMITMENT  
2010 Corporate Social  
Responsibility Report

20 MG  
TABLET EC EIS  
1 TABLET  
DAILY

3 refills before 01/12/2011  
Phone: (301) 249-6515  
Rx # 100135  
Prescriber: ADAM SMITH

2010  
Corporate Social  
Responsibility  
Report

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**OUR  
COMPANY**

**OUR  
VISION**

We strive to improve the quality of human life.

**OUR  
MISSION**

We provide expert care and innovative solutions in pharmacy and health care that are effective and easy for our customers.

**OUR  
VALUES**

- Accountability
- Respect
- Integrity
- Openness
- Teamwork

# DEAR STAKEHOLDERS

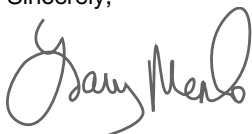
With the passage of federal health care reform and an economy that remained challenging for individual consumers and companies alike, 2010 was an eventful year for our industry. But throughout it all, CVS Caremark made sustainable contributions in health care and beyond. This report chronicles our performance as a socially and environmentally responsible corporate citizen and underscores our commitment to our colleagues, customers, clients and plan members, investors, the communities we serve and the environment in which we all live.

Among the topics detailed in this report, we made significant investments in programs to ensure our continued status as an employer of choice, provided free flu shots to people in need and responded to the most pressing needs of the communities we serve with investments in disaster relief and in support of people with disabilities. We also strengthened our commitment to environmental stewardship by adopting a long-term target to reduce carbon emissions and defining a clear strategy to drive performance.

Beyond these initiatives, I believe that one of our most important contributions in 2010 may have been our investment in research into medication adherence – the rate by which patients take (or don't take) their prescription drugs. This is directly related to our business as a dispenser of prescription medicine, of course, but poor adherence also is a major driver of unnecessary illness and expense in the United States. Our hope is that the research we published in leading peer-reviewed journals in partnership with Harvard University and others in 2010 represents the beginning of a solution to this pressing issue. Because of who we are as a company, we see investments in the long-term efficacy and efficiency of our health care system as part of our contribution to a healthier and sustainable society.

As we continue to build on our corporate social responsibility in 2011, our commitment will always be to look for opportunities to improve our performance and share our progress annually through our CSR Report. I hope you will take the time to review this year's report and to share your feedback with us.

Sincerely,



Larry J. Merlo  
**President and Chief Executive Officer**



## CVS CAREMARK COMPANY PROFILE

CVS Caremark (NYSE: CVS), headquartered in Woonsocket, RI, provides pharmacy care in the United States with integrated offerings across the entire spectrum of pharmacy care. We are uniquely positioned to engage plan members in behaviors that improve their health and lower overall health care costs for health plans, plan sponsors, and their members. CVS Caremark is a market leader in mail order pharmacy, retail pharmacy, specialty pharmacy, and retail clinics, and we are a leading provider of Medicare Part D Prescription Drug Plans. As one of the country's largest pharmacy benefits managers (PBMs), we provide access to a network of more than 65,000 pharmacies, including approximately 7,100 CVS/pharmacy® stores that provide unparalleled service and capabilities. Our stores fill nearly one in five retail prescriptions nationwide, and we have the #1 or #2 market share in 20 of the top 25 U.S. drugstore markets. Our clinical offerings include our signature Pharmacy Advisor™ program as well as innovative generic step therapy and genetic benefit management programs that promote more cost effective and healthier behaviors that improve health care outcomes.

The PBM division provides a range of services including mail order pharmacy, specialty pharmacy, plan design consultation and administration, formulary management and claims processing. Our CVS/pharmacy stores sell prescription drugs and a wide assortment of high-quality, nationally advertised brand name and private label merchandise. Our retail-based health clinic subsidiary, MinuteClinic® utilizes nationally recognized medical protocols to diagnose and treat minor health conditions, perform health screenings, monitor chronic conditions and deliver vaccinations.

We employ approximately 201,000 colleagues in 44 states, the District of Columbia, and Puerto Rico. At year-end 2010, we operated 7,182 retail drugstores, 560 MinuteClinic locations, 44 retail specialty pharmacy stores, 18 specialty mail-order pharmacies and four mail-order pharmacies, and our CVS.com® and Caremark.com websites. During 2010, the Company increased the number of CVS/pharmacy locations and decreased the number of retail specialty pharmacy stores and mail service pharmacies.





## COMPANY DATA 2010

### FINANCIAL HIGHLIGHTS

(IN MILLIONS, EXCEPT PER SHARE FIGURES)

Net revenues	\$96,413
Operating profit	\$6,165
Net income attributable to CVS Caremark	\$3,427
Diluted EPS attributable to CVS Caremark	\$2.49
Stock price at year end	\$34.77
Market capitalization at year end	\$47,423

### OPERATIONAL HIGHLIGHTS

Store count at year end	7,182
Retail clinic count at year end	560
Retail specialty pharmacy stores	44
Specialty mail-order pharmacies	18
Mail-order pharmacies	4
Number of employees	201,000
Facility and store locations	44 States, the District of Columbia & Puerto Rico

# CORPORATE GOVERNANCE

CVS Caremark has a long-standing track record of sound corporate governance. Our Vision, Mission and Values clearly reflect who we are as a company and how we conduct business. As stated in our Values, we are firmly committed to acting with integrity and holding each other accountable for all aspects of our performance.

We are proud that CVS Caremark was named as one of the most reputable companies in the United States, according to the 2011 Most Reputable Companies list published by Forbes Magazine in partnership with the Reputation Institute. We were also included among the World's Most Admired companies by FORTUNE Magazine.

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

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## Our Policies

In January 2011, our Board of Directors adopted the most recent version of our Corporate Governance Guidelines, which meets or exceeds the listing standards adopted by the New York Stock Exchange (NYSE). These guidelines are available on our investor relations website at <http://info.cvscaremark.com/investors>.

Our Corporate Governance Guidelines include:

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



### Board Independence

According to our Corporate Governance Guidelines, the majority of directors must meet the NYSE Bright Line requirements for independence as well as our own categorical standards for director independence. The Board determines the independence of each director each March and will re-evaluate its determinations as needed during the year. This year, 11 of the 12 nominees for election as directors at the 2011 annual meeting of stockholders were determined to be independent. Only Directors determined by the Board to meet independence standards serve on our Board's Audit, Nominating and Corporate Governance, and Management Planning and Development Committees. For details on the Board Committee composition, visit our investor relations website at <http://info.cvscaremark.com/investors>.

### Board Attendance

Directors are expected to attend Board and their respective committee meetings, as well as the annual meeting of stockholders. In 2010, each Director attended at least 75 percent of the Board and committee meetings of which he or she was a member.

### Director Orientation and Continuing Education

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

### Board Leadership Structure

Our Board believes that the Company and its stockholders are best served by having the flexibility to either have the same individual serve as Chairman and Chief Executive Officer, or two different persons in those roles. This is demonstrated by recent actions related to the Company's change in management.

Following the 2011 annual meeting of stockholders, the Board will be led by an independent Chairman. The independent Chairman will preside over all meetings of the Board and work with the CEO to set Board meeting agendas and schedule Board meetings. The Chairman will have the authority to call

and to lead independent Director sessions and the ability to retain independent legal, accounting or other advisors in connection with these sessions; facilitate communication and serve as a liaison between the CEO and the other independent directors; and advise the CEO of the informational needs of the Board.

The Board believes that Board independence and oversight of management will be effectively maintained through the independent Chairman, Board's composition and committee system. If in the future the Board decides that a non-independent chairman should lead, then it will appoint an independent Lead Director. The Board also believes that it is not necessary to adopt a rigid policy restricting its discretion in selecting the Chairman of the Board (as well as restricting the ability to combine the positions of Chairman and CEO if future circumstances warrant), because this would deprive the Board of the ability to select the most qualified and appropriate individual to lead the Board as Chairman at any particular point in time.

### Contact with the Board of Directors

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

### Stockholder Proposals

In accordance with Securities and Exchange Commission (SEC) rules, we reprint properly submitted stockholder proposals and supporting statements, as they were submitted to us, in our annual proxy statement. Once filed, we proactively engage with the filing parties in order to better understand and address their concerns. It is worth noting that among S&P 500 companies including CVS Caremark, an increasing number of stockholder proposals have been filed in recent years on topics relating to climate change, political contributions, corporate governance structure and executive compensation.



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## Other Governance Practices

### Executive Compensation

CVS Caremark's management and Board of Directors recognize that executive compensation is an important and relevant issue in corporate governance; our policies and programs continue to be designed to ensure an appropriate link between pay, Company and individual performance and shareholder returns. With the oversight of the Management Planning and Development Committee, our executive compensation policies and programs are designed to attract, retain and motivate talented leaders to drive Company performance. This Committee also evaluates and monitors our executive compensation strategy to ensure our approach is aligned with best practices among our peer group.

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

As required by the Dodd-Frank Wall Street Reform and Consumer Protection Act, we asked our stockholders at

the 2011 annual meeting to provide advisory approval of the compensation paid to our executives. While this is not binding on the Company, the Management Planning and Development Committee, which is responsible for designing and administering the Company's executive compensation program, values the opinions expressed by stockholders and will consider the outcome of the vote in connection with its ongoing evaluation of the Company's executive compensation program. Furthermore, our Board of Directors has determined that an advisory vote on executive compensation that occurs annually is the most appropriate alternative for the Company. In formulating its recommendation, our Board considered that an annual advisory vote on executive compensation would allow stockholders to provide us with their direct input on our compensation philosophy, policies and practices as disclosed in our proxy statement each year.

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

### Political Contributions and Activities

CVS Caremark seeks to be an effective participant in the political process by making prudent political contributions consistent with federal, state and local laws. It is CVS Caremark policy that the CEO and the Board are exclusively responsible for determining the Company's political interests and, subject to compliance with applicable laws and with the advice of counsel, deciding how to further those interests. Corporate contributions by the Company are prohibited at the

federal level, therefore, CVS Caremark does not make any at that level. Political contributions to federal candidates, political party committees and political action committees are made by the Company's federal political action committee (CVS Caremark-FPAC) which is funded by voluntary contributions. The activities of the CVS Caremark-FPAC are subject to comprehensive regulation by the federal government, including detailed disclosure requirements. CVS Caremark-FPAC files monthly reports of receipts and disbursements with the Federal Election Commission (FEC), as well as pre-election and post-election FEC reports. All political contributions over \$200 are shown in the public information made available to the FEC. Under the Lobbying Disclosure Act of 1995, CVS Caremark submits to Congress semi-annual reports, which are publicly available.

At the state level, the Company's political contributions are also subject to regulation. Although some

states have not banned corporate contributions to candidates or political parties, all states require that such contributions be disclosed either by the recipient or by the donor. Information regarding the corporate contributions made by CVS Caremark to state candidates or political parties is publicly available.

### Stakeholder Engagement

CVS Caremark benefits from engaging with stakeholders from key external and internal groups that are aligned with our goal of improving health outcomes while lowering overall health care costs. We continually review our participation in trade associations and advocacy groups based upon the issues that are most critical to CVS Caremark as a health care business. We also seek to actively engage with customers, suppliers and community stakeholders in areas where we live and work. Below are some of the ways we engage and encourage communication with our stakeholders.

<p><b>COLLEAGUES</b></p> <ul style="list-style-type: none"> <li>Regular communication via email, voicemail and Town Hall meetings</li> <li>Employee publications</li> <li>Code of Conduct and Ethics Hotline</li> <li>Employee intranet portal</li> <li>Employee Engagement Survey</li> <li>Problem solving/issue resolution process</li> <li>Colleague resource groups</li> <li>Ongoing training programs and career development initiatives</li> <li>Wellness programs and initiatives</li> </ul>	<p><b>STOCKHOLDERS/BONDHOLDERS</b></p> <ul style="list-style-type: none"> <li>Regulatory disclosures and reporting</li> <li>Stockholder proposals</li> <li>Annual meeting of stockholders</li> <li>Annual Analyst/Investor Day</li> <li>Quarterly earnings conference calls</li> <li>Presentations at industry conferences</li> <li>Comprehensive investor relations area on website</li> <li>Information for contacting directors posted on website</li> <li>Communication with individual and institutional investors</li> <li>Proactive domestic and international road show program</li> <li>Responsiveness to informational needs of equity and fixed income analysts</li> </ul>	<p><b>LOCAL COMMUNITIES AND PARTNERS</b></p> <ul style="list-style-type: none"> <li>Employee volunteerism initiatives</li> <li>Charitable giving programs</li> <li>Community outreach efforts (e.g., pharmacists in the community, CVS Samaritan Vans and disaster relief)</li> <li>CVS Caremark All Kids Can, our signature program</li> <li>Partnerships with various nonprofit organizations</li> <li>Sponsorships of charitable sporting events</li> </ul>
<p><b>CUSTOMERS</b></p> <ul style="list-style-type: none"> <li>Internet and social media sites</li> <li>Annual tracking studies</li> <li>Advisory Panels</li> <li>Customer relations program and hotline</li> <li>ExtraCare customer loyalty program</li> <li>Insights Report for PBM clients</li> </ul> <p><b>REGULATORS</b></p> <ul style="list-style-type: none"> <li>Site visits and inspections</li> <li>Regulatory disclosures and reporting</li> </ul>	<p><b>SUPPLIERS</b></p> <ul style="list-style-type: none"> <li>Supplier education forums on sustainable packaging</li> <li>Supplier Summit</li> <li>Supplier Code of Conduct and Ethics Hotline Access</li> <li>Supplier Diversity Initiative</li> </ul>	<p><b>*TRADE ASSOCIATIONS</b></p> <ul style="list-style-type: none"> <li>Association of Health Insurance Plans (AHIP)</li> <li>Convenient Care Association (CCA)</li> <li>Human Resources Policy Association (HRPA)</li> <li>National Association of Boards of Pharmacy (NABP)</li> <li>National Association of Chain Drug Stores (NACDS)</li> <li>New England Council</li> <li>Pharmaceutical Care Management Association (PCMA)</li> <li>US Chamber of Commerce</li> </ul> <p><small>* The listing of our trade association memberships is not all-inclusive because we belong to many industry and issue-related groups at the local, state and federal levels. We list those organizations where CVS Caremark plays a leadership role.</small></p>

# CORPORATE INTEGRITY AND BUSINESS PRACTICES

CVS Caremark believes complying with the law and promoting high ethical standards are responsibilities shared by everyone in our organization. The Company is committed to creating and fostering a work environment that promotes integrity, ethics and compliance with applicable federal and state laws and regulations at all levels in our interactions with customers, plan members, clients, physicians, vendors and all other business relationships. We have processes in place to help prevent, detect and resolve instances of potential unethical behavior and noncompliance.

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## Integrity and Compliance Program

Given the current environment and the vast array of regulatory requirements, it is essential to have an effective compliance program that is dynamic and responsive to the changing needs of the Company and external environment in which it operates. CVS Caremark has a Compliance and Integrity Program to provide a framework that fosters a culture of compliance throughout CVS Caremark.

Key components of the Compliance and Integrity Program include a Code of Conduct, policies and procedures, and training; a mechanism for employees to report potential unethical behavior or non-compliance with applicable laws, regulations or Company policy; a requirement that employees cooperate in compliance investigations; periodic risk assessments to help identify key legal and regulatory risks and changes; incentive structures and discipline that promote compliance; appropriate remedial action when an issue is detected, including employee discipline; maintaining required

compliance and fraud, waste and abuse programs applicable to our Medicare Part D business; and a leadership team that fosters a positive and ethical culture of open communications.

### Designation of Chief Compliance Officer and Compliance Structure

The Chief Compliance Officer is responsible for the oversight and implementation of the CVS Caremark Compliance and Integrity Program, including the programs applicable to our Medicare Part D business.

The Chief Compliance Officer reports to the Audit Committee of the Board of Directors and to the Company's Chief Executive Officer. As part of the administration of the Program, the Chief Compliance Officer chairs the Corporate Compliance Committee, a cross-functional group comprised of Company legal and business leaders. The Corporate Compliance Committee provides cross-functional expertise, coordination and oversight to assist the Chief Compliance Officer in the overall administration of the Program.





#### Development of Standards and Written Policies and Procedures

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

#### Compliance Education and Training

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

The Company's policy is to provide all new full-time or part-time employees with appropriate integrity training. New employees also must certify that they have read the Code of Conduct and completed the training. Subsequent compliance training requirements are based on employee job function and responsibilities and existing government mandates.

#### Auditing, Monitoring and Risk Assessment

The Company assesses and monitors broad areas of compliance risk across the organization. The Compliance and Integrity Group maintains a compliance auditing and monitoring program to help detect nonadherence to the Code of Conduct and the rules and regulations governing the business. In addition, the Chief Compliance Officer conducts periodic risk assessments to help identify risk and develop a Compliance Audit Work Plan that is reviewed and approved by the Audit Committee of the Board of Directors.

#### Ethics Hotline

CVS Caremark maintains a toll-free Ethics Line 24 hours a day, seven days a week and 365 days a year to receive communications from its employees in connection with alleged unethical or illegal behavior. As an alternative to calling, employees may contact the Ethics Line via mail, email or fax. All communications

through the Ethics Line by employees are handled as confidentially as possible. Moreover, the Company has a strict non-retaliation policy that protects employees who make good faith reports to the Ethics Line. As a further step to maintain objectivity, CVS Caremark utilizes an independent third party to manage the Ethics Line and provide call reports to the Compliance Office. Internal controls are in place to help ensure all Ethics Line calls have been investigated. This includes monthly reconciliation of internal reports against the third party vendor reports. Aggregate data is reported to the Chief Compliance Officer and an annual report is made to the Audit Committee of the Board of Directors.

Any employee of CVS Caremark also has the ability to raise a compliance issue and seek guidance regarding a potential legal or ethical violation directly from the Chief Compliance Officer. At a minimum, the Compliance Office will provide oversight to help ensure the following activities occur:

- Follow up on all reported compliance violations
- Promptly investigate all compliance-related matters
- Gather and maintain appropriate documentation
- Coordinate all disciplinary actions
- Develop and implement appropriate corrective action plans and/or policies
- The Company's non-retaliation policy is strictly adhered to and followed

#### Response and Prevention

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

After an investigation has been completed, the Compliance Office determines whether credible evidence exists of a violation of applicable federal or state laws, regulations or of any provision of CVS Caremark's Code of Conduct and/or policies and procedures. When an investigation confirms that misconduct has occurred, corrective actions are initiated promptly. Corrective action may include remedial action to address the specific issue, remedial action to help prevent similar issues in the future, disciplinary action and additional training. As appropriate, certain confirmed violations may be reported to

outside agencies or authorities. In addition, the Chief Compliance Officer provides the Audit Committee of the Board of Directors with a summary of all reports received highlighting perceived or alleged violations of the Code of Conduct and applicable policies and procedures; the nature of alleged violations; if applicable, the findings of any investigations and any corrective actions taken; and other relevant information.

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## Business Practices

### Information Governance

During 2010, CVS Caremark continued its focus on enhancing governance procedures for protecting and safeguarding personal information, including the health and personal information of our customers, plan members and employees by designating a new senior executive role as the Chief Privacy Officer. The CVS Caremark Chief Privacy Officer provides leadership for the Company's information governance and privacy strategy and oversees all activities related to the development, implementation and compliance with CVS Caremark's privacy and information security policies and procedures. The Company's information governance practices help identify potential risks to privacy and information security from a technological standpoint and assist in implementing appropriate safeguards to address those risks.

### Review of Information Security Practices

The Company periodically reviews its internal information security program to ensure our practices provide appropriate protections and safeguards for personal information. These reviews seek to identify internal and external risks to the security, confidentiality and integrity of personal information that could result in the unauthorized disclosure, misuse, loss, alteration, destruction, or other compromise of information as well as an assessment of the sufficiency of any safeguards in place to control these risks. From these reviews, the Company designs and implements enhancements to existing safeguards to control the risks identified and improves testing and monitoring of the effectiveness of these safeguards and their key controls, systems and procedures. The Company recently enhanced its assessment of third party vendors to better manage risks from the use of third-party companies that provide

services and products that may handle health or personal information on behalf of CVS Caremark.

### Review of Privacy Practices

The Company continuously seeks to improve its privacy practices in a manner that has been adapted to meet the unique workflows within our environment. We also seek to increase the awareness of colleagues of the importance of member and patient privacy. Our Privacy Practices include, among other practices, the provision of privacy notices and policies on our websites as well as on retail prescription monographs for first-time customers. Furthermore, the Chief Privacy Officer manages the response to privacy incident reports using a protocol that involves processing, tracking, reviewing, making improvements and, when appropriate, retraining or developing a corrective plan.

### Privacy and Information Security Committees

In 2010, the Company continued to use various oversight committees to enhance our privacy and information security programs. These committees, which contain a cross-functional group of the Company's senior leadership, meet periodically and review and assess relevant information regarding our practices to manage privacy and information security risk. These committees make recommendations to enhance our existing practices.

### Supplier Ethics Policy

We seek suppliers that share our values, our promise to deliver outstanding service and our commitment to uphold the highest standard and level of integrity. CVS Caremark suppliers are required to adhere to our company's ethical standards, supplier requirements, and business processes, which are published on [www.cvssuppliers.com](http://www.cvssuppliers.com) and communicated in our Supplier Ethics Policy. As defined by this policy, suppliers must:

- Comply with our product quality and safety standards and requirements
- Adhere to standards that restrict child labor and ensure a safe workplace for their workers
- Pay workers a fair and legal wage and not withhold wages for coercive purposes
- Not discriminate against their employees in hiring practices or any other term or condition of employment on the basis of race, color, gender, age, disability, religion, sexual orientation, or any other status protected by law

- Conduct business in accordance with established legal and ethical standards
- Adhere to import requirements of United States Customs and Border Protection, and other government or regulatory agencies and programs

Our Code of Conduct also addresses the procurement process and standards for purchasing only from reputable suppliers.

To help ensure our global supply chain partners are in compliance with our Supplier Ethics Policy and abide by social, legal and trade security standards, CVS Caremark utilizes a third party auditing firm to monitor supplier adherence and conduct audits of factories outside of the United States from which we directly purchase imports. We believe that our social accountability standards are consistent with standards set by the International Labour Organization and our security standards reflect guidelines established by the Customs-Trade Partnership Against Terrorism.

Consumer product suppliers outside the United States are subject to audits that encompass good manufacturing processes, social and environment and security audits to help ensure we provide our customers with safe, quality products that are produced in a socially responsible manner. Types of information and practices that may be reviewed, include:

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

Where supplier shortcomings are identified, we work with the supplier to promptly correct the issue. Because of our pre-certification program, we have not had to discontinue any supplier relationship due to ethics or compliance issues.

### Supplier Diversity Program

We are dedicated to developing procurement opportunities with a diverse community of suppliers. Our Supplier Diversity Program complements the CVS Caremark commitment to sound business practices and social responsibility to the communities we serve, recognizes the critical role diverse-owned businesses play in our continued success, and in providing outstanding service and solutions to our customers and clients. CVS Caremark's corporate culture encourages support of the program to help ensure that all diverse businesses are given a fair opportunity to do business with us. In order to qualify for our Supplier Diversity Program, the supplier should meet the definition of a Minority Owned, Woman Owned, Veteran or Disabled Veteran Owned, Disadvantaged Owned, Lesbian/Gay/Bisexual/Transgender Owned, HUBZone Owned, 8(a) Owned Business Enterprise and Small Business Enterprise or be certified by authorizing bodies such as the National Minority Supplier Development Council, Women's Business Enterprise National Council, SBA, or local state, city, county and other governmental agencies.

We have also taken our Supplier Diversity Program to a new level by implementing a Tier II Diverse Supplier Program. In addition to monitoring our purchases to ensure we have diverse suppliers providing quality goods and services (Tier I), we now monitor our large valued suppliers to ensure the inclusion of diverse suppliers within their own supply chain (Tier II). This helps to illustrate that CVS Caremark is not only committed to the use of diverse suppliers in our organization, but also doing businesses with suppliers that are committed to the use of diverse suppliers as well. The CVS Caremark Tier II Program serves as an enhancement to, and not as a replacement for, existing efforts aimed at increasing meaningful opportunities for diverse suppliers to participate as first-tier suppliers.

In order to gain more visibility for the CVS Caremark Supplier Diversity Program and identify additional

diverse suppliers, the Company participated in numerous supplier diversity events including the following:

- International Trade Bureau Business Conference and Business Expo (Rainbow/Push Coalition)
- Puerto Rico Minority Supplier Development Council Annual Business Expo
- Cosmopolitan Chamber of Commerce Project Awareness Business Expo
- South Florida Minority Business Council Business Expo
- Chicago Minority Business Development Council Chicago Business Opportunity Fair/Expo
- Dallas Fort Worth Business Opportunity Fair
- Keeping The Promise Business Expo – Association for the Service of Disabled Veterans
- Women's Business Enterprise National Council National Conference and Business Expo
- City of Chicago Small Business Expo
- Annual United States Hispanic Chamber of Commerce National Convention and Business Expo
- Greater New England Minority Supplier Diversity Business Expo
- National Minority Supplier Development Council National Conference and Business Expo
- National Gay and Lesbian Chamber of Commerce National Business and Leadership Conference

CVS Caremark is a member of the National Minority Supplier Diversity Council (NMSDC), NMSDC Health Care Industry Group, NMSDC Retail Industry Group, Women's Business Enterprise National Council (WBENC), Association for Disabled Veterans Business Enterprises (ADVBE), United States Hispanic Chamber of Commerce (USHCC) and National Gay and Lesbian Chamber of Commerce (NGLCC). In recognition of its achievements in supplier diversity, CVS Caremark received the Chicago Minority Supplier Development Council Minority Business Enterprise Input Committee Chairman's Special Recognition Award and Outstanding Buyers Award.

### Diverse Retail Pharmacy Program

The Diverse Retail Pharmacy Program is a component of the CVS Caremark Supplier Diversity Program. The pharmacy program encourages diverse-owned, independent retail pharmacies to become certified



diverse-business enterprises in order to expand and establish potential business opportunities with CVS Caremark. Through this program, CVS Caremark actively seeks to establish business relationships with diverse-owned retail pharmacies that want to sustain and grow their businesses. During 2010, CVS Caremark continued to identify diverse retail pharmacies for inclusion in the program.

#### Retail Audit and Verification Processes

##### **Removal of Expired Products**

We have a stringent product removal policy and train our store employees to be vigilant when it comes to product expiration dates. Our stores carry as many as 30,000 different types of products and often have well over 100,000 individual items on their shelves, and each date-coded item must be checked manually. While no labor-intensive process of this kind is immune from error, we strive to achieve 100 percent compliance with our policies. We conduct weekly and monthly internal audits of compliance with our dated merchandise policies and procedures as well as monthly third-party audits. In addition, our distribution centers have instituted enhancements to prevent distribution centers from receiving merchandise with less than the required shelf life and to detect on-hand inventory approaching the minimum required shelf life to prevent store distribution. Further enhancements that are in development for 2011 implementation include enhanced systemic controls and programs to prevent distribution centers from receiving merchandise with less than the required shelf life and an automatic process to prevent merchandise with less than the required shelf life from being delivered to stores.

##### **Pricing Accuracy**

We make all reasonable efforts to ensure that the prices posted in our stores and provided by price scanners at our store registers are accurate. We conduct weekly and monthly inspections to help ensure that shelf labels and the price customers are charged at the register match and are accurate. If pricing discrepancies are found, an

action plan is developed and implemented to correct the issue and prevent similar issues in the future.

##### **Age Verification and Product Tracking**

CVS/pharmacy has processes in place to assure that appropriate protocols are followed in sales of certain products such as alcohol, tobacco and tobacco products, pseudoephedrine (PSE), dextromethorphan (DXM), Plan B and compressed air based on age verification or other factors. In regard to products containing PSE, we have made substantial investments to improve handling and monitoring of PSE by implementing enhanced technology and making other improvements in our stores and distribution centers, including the following:

- An enhanced electronic monitoring system has been fully implemented throughout the entire retail chain that tracks all federal and state legal limits of individual PSE purchases as required by federal and state laws.
- Our store operations manuals and training materials have been updated, and store employees are required to complete training and testing on the updated PSE policies and procedures.
- All PSE products at stores nationwide are now located behind the pharmacy counter where they are subject to greater inventory controls and security.
- “Black light” technology designed to identify false identification cards presented by purchasers of PSE products has been installed in many locations and continues to be installed in other locations.
- Installation of security cameras to record transactions at the pharmacy counter is being completed, with cameras already in place in approximately 90 percent of our stores.
- The amount of PSE products that can be ordered by distribution centers and retail stores has been restricted and monitoring has been increased.
- Inspections for PSE compliance will be conducted regularly at randomly selected stores.

# SERVING OUR CUSTOMERS AND PATIENTS

CVS Caremark is committed to providing greater access, convenience and choice to customers and is helping patients improve their health and lower their overall health care costs. We have launched new and innovative programs, such as those promoting medication adherence, that have made significant positive contributions to the quality of health care. We have focused on the needs of individual customers and patients, employers and health plan sponsors and applied our integrated approach to pharmacy care to improve our interactions with them. We are also expanding access to affordable health care through our retail clinics and community-based outreach. Ensuring quality and safety of prescription medications and other products is a key priority, and we continually seek feedback to enhance the customer experience, open new channels of communication (such as through social media), and provide them more value.

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## Advancing Medication Adherence, Creating Better Outcomes

CVS Caremark has undertaken significant health policy research in an effort to better understand why patients do not take their medications as prescribed. Past studies show one-quarter of people receiving prescriptions never fill their first prescription, and patients with chronic diseases such as diabetes and coronary artery disease adhere to their ongoing medication regimen only about half of the time. Non-adherence to essential medications is a frequent cause of preventable hospitalizations and patient illness, with costs to the U.S. health care system estimated at about \$300 billion annually.

Conversely, there is a direct link between the per-patient savings that are created when patients do take

their medications and stay on them for the full course of their treatment. CVS Caremark research published in the journal *Health Affairs* clearly showed that while chronically ill patients who remain adherent may spend more on medications, their overall health care costs are significantly lower than those paid by non-adherent patients. The study quantified these savings for patients with congestive heart failure, high blood pressure, diabetes and high cholesterol, indicating that adherent patients may save the health care system as much as \$7,800 per patient annually. Patients who were adherent to their medications achieved savings as the result of fewer emergency room visits and fewer inpatient hospital days.

### Research Partnerships

This work complements CVS Caremark's ongoing three-year research partnership with Harvard University and Brigham and Women's Hospital that has resulted

in a number of published research studies focusing on issues such as contributing factors to medication adherence, the role of health care professionals in encouraging medication adherence and the effect of technology on medication adherence. Among other findings, the researchers have reported a direct correlation between the amount of a patient's out-of-pocket copay and the likelihood that they would not pick up a prescription after it has been filled. In addition, researchers found that patients who had a larger number of prescriptions, more visits to multiple pharmacies to fill prescriptions, and who were less likely to consolidate their medication refills had the worst medication adherence rates. In an encouraging finding, however, researchers discovered that retail pharmacists were the most effective of all health care communicators when it comes to promoting medication adherence and explaining the health risks that come with non-adherence.

Based on the research findings, we have made recommendations on ways to improve pharmacy care, including more effectively engaging patients in their health care decisions, establishing a centralized pharmacy home for chronically ill patients and providing

patients with better information about the importance of staying on their medication. Additionally, we found that technology, including social media, holds great promise for potential solutions to medication adherence. CVS Caremark has also established a Behavioral Change Research Partnership, which has enlisted behavioral scientists and economists from Carnegie Mellon University, Dartmouth College's Tuck School of Business and the University of Pennsylvania's Medical School and Wharton School of Business. These research partners are teaming with us to develop programs and messaging that will encourage patients to stay on their prescribed medications.

### Improving Adherence Through Maintenance Choice® and Pharmacy Advisor™ Programs

CVS Caremark's Maintenance Choice program is another example of the Company's commitment to providing quality pharmacy health care that is more convenient, accessible and affordable. The program gives eligible pharmacy benefit management plan members the option of picking up their 90-day maintenance prescriptions at CVS/pharmacy rather than receiving them through the mail. Fully 96 percent of CVS Caremark plan members who use the program say



they consider it to be a benefit enhancement. In addition, CVS Caremark data shows that for members who are new to therapy, 30 percent more stayed on therapy after 180 days in the Maintenance Choice program versus traditional mandatory mail. In general, clients that implement the program can save up to four percent on their gross pharmacy spend.

CVS Caremark has also introduced our Pharmacy Advisor™ program to approximately 500 clients representing more than 10 million lives. The program, which was developed by CVS Caremark to manage costs, improve medication adherence and close gaps in care for members with diabetes, was recognized by the Pharmacy Benefit Management Institute (PBMI) with the 2011 Rx Benefit Innovation Award.

### Patient Care Initiatives Driving Better Health Outcomes

In 2010, an enhanced patient management system was launched to support ongoing medication adherence efforts for our retail customers. This patient care initiative, called PCI Connect, doubled the number of opportunities to offer counseling to patients filling a prescription for the first time and enabled a 30 percent increase in delivered interventions in the second half of 2010 as compared to the first half of 2010. Face-to-face engagement programs throughout the year touched 10.4 million patients, achieving a 15 percent improvement in adherence. In addition, the Ready Fill® program supported patients across 29 therapeutic classes and auto-refilled approximately 65 million prescriptions for enrolled customers. Fifteen percent of customers with eligible prescriptions enrolled in the program and received notifications when prescriptions were ready for pick-up.

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## Expanding Access to Affordable Health Care

In addition to our retail pharmacies, we are working to improve our customers' experience and expand their access to affordable, high-quality care through our retail medical clinics, mail-order pharmacies and our websites.

### MinuteClinic® Expands Retail Health Care Services

MinuteClinic, the retail health care division of CVS Caremark, is focused on meeting patients' need for high-quality care that is accessible and affordable. At the end of 2010, there were approximately 560 medical walk-in clinics located inside select CVS/pharmacy stores in 26 states and the District of Columbia. Nationwide, MinuteClinic has generated more than 9 million patient visits since its inception in 2000 and has maintained a 95 percent customer satisfaction rate.

In 2010, the Company announced the expansion of MinuteClinic by 100 clinics a year for the next five years in response to both the lack of primary care physicians as well as the growing demand for high-quality accessible care at affordable prices.

In a recent services expansion, MinuteClinic introduced a series of convenient health-condition monitoring services to help patients previously diagnosed with diabetes, asthma, high cholesterol and high blood pressure to better manage their conditions. The new services and improved point of service lab tests are designed to support patients with ongoing conditions in between visits to their primary care provider or to provide assistance to patients who may not receive regular care. MinuteClinic sends results to a primary care provider with patient permission.

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

In recognition of low health literacy as an emerging public health issue, MinuteClinic became the first retail clinic provider to launch a partnership with the National Patient Safety Foundation for its Ask Me 3™ health literacy program. This patient education program is designed to enhance communication between health





care providers and patients in order to improve health outcomes. The program encourages patients to ask and understand the answers to three questions: What is my main problem? What do I need to do? Why is it important for me to do this? Ask Me 3 certificates will appear in all MinuteClinic locations nationwide and brochures about the program will be offered to patients when they visit.

MinuteClinic has established collaborative affiliations with integrated delivery networks such as the Cleveland Clinic, Allina Hospitals & Clinics, Catholic Health Care West, St. Vincent's HealthCare and Advocate Health Care. Through these collaborations, MinuteClinic is working to integrate electronic medical records systems with hospital systems in regional markets, and often the hospitals' primary care physicians serve as MinuteClinic medical directors at a local level. MinuteClinic is accredited by The Joint Commission, the national evaluation and certifying agency for nearly 15,000 health care organizations and programs in the United States.

#### Supporting Patients Through Community Outreach Efforts

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

#### Free Health Screenings, Education and Patient Support

In 2010, CVS/pharmacy provided free health screenings in communities across the country. As an extension of its successful "A Su Salud" health fairs, CVS/pharmacy introduced "To Your Health" events to improve access to preventative care in broader urban communities. CVS/pharmacy provided free health screenings to nearly 170,000 consumers through the A Su Salud and To Your Health community programs last year. Based on the estimated value of preventive services offered, the total program value exceeded \$25 million.

Each To Your Health event offered participating adults \$150 worth of free screenings for diabetes, blood pressure, cholesterol, bone density and vision. These programs helped to detect health concerns in an alarmingly high percentage of participants. Of those screened, 34 percent had high cholesterol, 38 percent had a high to moderate risk of developing osteoporosis, 37 percent had hypertension and 29 percent had blood sugar levels that indicated a risk for diabetes.

CVS/pharmacy in 2010 also partnered with Dr. Ian Smith, the founder of the 50 Million Pound Challenge, to distribute free health and nutrition information in stores. The CVS/pharmacy and 50 Million Pound Challenge partnership is part of a broader effort by CVS/pharmacy to support diabetes patients. Weight is a critical risk factor for Type 2 diabetes and weight management can have a positive impact on the ability to manage



the disease. In addition, patients with diabetes incur medical expenses almost two-and-a-half times greater than a non-diabetic. To help patients control costs, CVS/pharmacy launched the ExtraCare Advantage for Diabetes program that offers discounts and rewards on the purchase of needed diabetes supplies as well as educational information (see p. 27 for more details).

In March 2011, CVS/pharmacy embarked on a national health challenge as part of its To Your Health program offering free preventive health screenings at more than 800 events in communities across the country, including Houston, Dallas, Los Angeles, Washington, D.C., Atlanta, Philadelphia, Chicago and Miami. The To Your Health program also included “The Makeover Mile”, a one-mile health walk led by medical and diet expert Dr. Ian Smith to fight obesity and encourage Americans to lead healthier lifestyles.

#### ***Free Flu Shots for the Uninsured***

During the most recent winter flu season, CVS Caremark pledged up to \$5 million in free flu shots to patients who lack health insurance. Direct Relief USA, a nonprofit

health care organization, partnered with CVS Caremark in this effort through nearly 350 community clinics and health centers across the country. The participating clinics and health centers identified uninsured individuals from their existing patient populations and provided them with a free flu shot voucher redeemable at any CVS/pharmacy or MinuteClinic location.

#### ***Helping Seniors Manage Their Medications***

As a continuation of its three-year partnership with the National Council on Aging (NCOA), CVS/pharmacy held 250 “Pack Your Bag” events at senior centers across the country, offering seniors medication reviews and personalized counseling with a CVS pharmacist. In addition, NCOA honored CVS/pharmacy with the National Institute of Senior Centers (NISC) Public Private Partnership Award. The Award recognizes outstanding, innovative and collaborative efforts of the public and private sectors to advance the senior center field. For three years, CVS/pharmacy sponsored the NISC “Prescription for Better Health” awards in recognition of promising practices in senior center health programming.

### ***NACo and NLC Prescription Discount Card Programs***

CVS Caremark administers prescription discount card programs for the National Association of Counties (NACo) and the National League of Cities (NLC). These cards are designed to help residents of cities and counties save money on their prescriptions that are not covered by insurance. The free cards are distributed by counties or member cities and may be used at any participating retail pharmacy. More than 60,000 pharmacies nationwide participate in these programs, including most chain pharmacies and most independents. In 2010, residents in counties across the country that participate in the NACo Prescription Discount Card Program saved more than \$107 million on their prescription medications, with an average discount per prescription of 27 percent. Participants in the NLC discount card program in 2010 saved more than \$3 million on their prescription medications, with an average discount per prescription of 25 percent.

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## **Ensuring Quality and Safety**

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

### **Pharmacy Operations**

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

Our retail pharmacies also have well-defined processes in place to ensure accurate dispensing, including on-screen computer messaging, bar-coded prescription labels, electronic prescribing, automated prescription filling technology, electronic pill imaging, electronic scanning of prescription orders, upgraded prescription verification computer screens, enhanced telephone order prescription blanks and quality assurance training for all pharmacy personnel.

### ***Enhancements to Our Pharmacy Systems***

In 2010, the Company completed the rollout of RxConnect, a new state-of-the-art pharmacy system to all retail stores. RxConnect had a decidedly positive impact on the prescription filling process by bringing added efficiencies, reducing rework by 50 percent and more fully integrating with physicians via enhanced e-prescribing measures. In addition, RxConnect introduced more than 20 quality enhancements including improvements to drug selection, credentialing and enhanced counseling functions. We also established a relationship with the University Patient Safety Organization (UPS0) in Providence, R.I., to provide feedback on safety improvements.

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

### **Quality Accreditations for Mail Service Pharmacy, Specialty and Accordant**

CVS Caremark was awarded URAC accreditations for Mail Service Pharmacy, Specialty Pharmacy and Accordant Health Services case management. An independent, nonprofit organization, URAC is a leader in promoting health-care quality through accreditation and certification programs. URAC offers the only third-party, voluntary accreditation program of this scope for the pharmacy benefit management and prescription services industry. All standards were developed by URAC's Pharmacy Advisory Committee, which includes a wide range of stakeholders: employers, consumers, pharmacy consultants, health plans, retail pharmacy, pharmacy benefit management organizations, pharmacy professional organizations, labor and large public purchasing groups. CVS Caremark also holds URAC accreditations in Pharmacy Benefit Management and Drug Therapy Management.

### **Product Quality Assurance, Safety and Testing Process**

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



### **CVS Brand Products**

Our goal when developing a CVS Brand product is to meet or exceed national brand performance. We measure our success in achieving this goal through several vehicles including CVS-sponsored sensory testing. We also seek to improve products based on customer feedback.

The manufacturing of CVS Brand products is contracted through third-party vendors who are required to comply with all applicable laws and regulations. All CVS Brand products are evaluated at least annually and reviewed for their adherence to specifications and performance. We are continuously improving our products based on ongoing market surveillance and customer feedback. Prior to acceptance as a CVS Brand product, potential new store products must demonstrate compliance through rigorous testing with all quality standard requirements as detailed in our Test Requirements protocol. This protocol specifically states animal testing is prohibited. In addition to testing, the supplier must have on file the documentation to substantiate that their products are not tested on animals and do not use adulterated materials.

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

### **Imported Products**

All imported consumer products, in the form of final production samples, are tested for quality, safety and performance. It is critically important to us that the products we sell are safe, reliable and of high quality. We are also committed to working with suppliers who meet our standards and are responsible corporate

citizens. Thus, we maintain stringent supplier standards and a robust consumer product quality assurance, safety and testing program. For more on our supplier policies, please see pp. 15 – 17.

### **Effective Management of Product Recalls**

We have effective processes in place for managing pharmaceutical and product recalls, including:

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

A number of recalls in 2010 affected national-branded pain relief and other over-the-counter products for children and adults. In order to assist customers, CVS pharmacists helped identify alternative products; shelf signage was also utilized for this purpose.



# Cosmetics Safety

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

To further ensure safety and promote education across the retail industry, our Product Development Managers participate in industry-wide and professional organizations and consult with third-party experts on specific questions related to ingredient and product safety. Our Government Affairs team and third party quality assurance labs keep us apprised of current and potential legislation that would impact our protocols, as well as developments around the world that may eventually impact U.S. standards.

## CVS/pharmacy Cosmetic Safety Policy

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

We are committed to:

- Providing our customers with innovative products from around the world that have been hand-selected and tested to meet or exceed regulatory standards.
- Building relationships with partners who educate us on scientific research and developments related to ingredients of concern in cosmetic products.
- Continuously evaluating our CVS Brand and private label products based on new research findings.
- Partnering with our cosmetic suppliers to ensure proper protocols are used to ensure cosmetic safety.
- Developing action plans to replace ingredients of concern in our branded and private label products when safer alternatives are available and prompting similar action by our supplier partners.
- Educating consumers on our cosmetic safety standards and on product evaluation tools that will enable them to take an active role in maintaining good health.



## Enhancing the Customer Experience and Providing Value

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

### Engaging Customers Through Social Media

The use of social media provides many opportunities to connect with and speak directly to customers and other stakeholders. We recently launched several new social media platforms to share information and enhance engagement. The official CVS/pharmacy Facebook page is used to provide health care tips, information on our unique pharmacy offerings and other relevant news for customers. In addition, by posting our latest sales and ExtraCare® deals, we help our customers make the most of their money. We also invite customers to tell us about their experiences in our stores. The newest Facebook and Twitter offerings for the CVS ExtraCare Beauty Club™ help consumers learn how to save on their favorite beauty items. In addition, a CVS Caremark All Kids Can Facebook page is a community resource for families raising children with disabilities and for our nonprofit partners who support those families (see pp. 40 - 41 for more details).

The Company's Twitter feed, @CVS\_Extra, gives followers access to ExtraCare deals, exclusives and savings advice from experts.

The Company blog, CVSCaremarkFYI.com, tells the story of our integrated approach to pharmacy health care. We use "FYI" to share information about developments in our Company and in the health care industry, and showcase the great work being done by our nonprofit health care partners in the communities we serve.

### An App for CVS/pharmacy and CVS Caremark

CVS Caremark introduced a mobile application for CVS/pharmacy retail customers and CVS Caremark pharmacy benefit management members. The app runs on the iPhone or another mobile device from Apple and is available as a free download from both iTunes and the Apple App Store. The CVS/pharmacy app is easy to use whether consumers want to schedule a flu shot, refill or transfer a prescription, find the nearest CVS/pharmacy location or build a customized shopping list using the weekly sales circular. CVS Caremark members can use the application to register on Caremark.com or log in securely to their existing Caremark.com account from their iPhone. Once they are logged in, members can refill a prescription, check prescription order status, view



prescription history, request a new prescription, check drug cost or find a nearby network pharmacy. Today, 2 percent of our patient interactions are through mobile devices.

### Gathering Retail Customer Feedback

CVS/pharmacy has a proprietary Advisor Panel of more than 100,000 consumers who provide us with feedback on a variety of topics that we utilize to influence our actions. In 2010, this Advisor Panel's input helped influence store brand packaging design, marketing program development for the ExtraCare Beauty Club and ExtraCare Advantage Program for Diabetes, prioritization of pharmacy services and print advertising design.

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

In addition, our service measurement system garners feedback from more than 1.5 million retail customers annually, with results reported to every store, district, region and area on a monthly basis. This system allows us to call a centralized IVR system and listen to audio recordings of comments from customers of any store across the chain. We have utilized this system to both leverage existing service strengths and focus on areas where we have improvement opportunities.

### PBM Client and Member Satisfaction Measures

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

In 2010, CVS Caremark's Pharmacy Benefit Management Customer Care team was awarded a gold medal for Best Customer Service and a silver medal for Best Community Spirit by ContactCenterWorld.com at the organization's Top Ranking Performers Awards Conference. The awards recognize the best in the contact center industry.

### Rewarding Customers with ExtraCare

Since launching in 2001, CVS/pharmacy's ExtraCare program has become the largest retail rewards program in the United States with more than 67 million active cardholders. From this decade of experience, the program has become the vehicle for offering our customers value and a personalized shopping experience. In 2010, ExtraCare cardholders received nearly \$3 billion in savings and rewards on the products they use most.

In nearly all CVS/pharmacy locations throughout the United States, scan and save kiosks called ExtraCare Coupon Centers have been introduced. These ExtraCare Coupon Centers allow shoppers to scan their ExtraCare card at the beginning of their visit and receive ExtraBucks rewards, coupons and special offers before they shop, so they can use them right away.

In May of 2010, we launched the ExtraCare Advantage Program for Diabetes, offering new and existing cardholders the opportunity to opt in to receive special offers on diabetes-specific products from the front store as well as educational information. This was the first time that we asked customers to self-identify their interest in receiving offers related to a chronic health condition. To date we've enrolled over 1.5 million members, which indicates an interest from customers in this type of extension for ExtraCare.

In January 2011, we launched the ExtraCare Beauty Club™, offering members a 10 percent off beauty shopping pass upon enrollment, \$5 in ExtraBucks® rewards with every \$50 beauty purchase and \$3 in ExtraBucks rewards on the member's birthday as well as special beauty offers throughout the year. Members also receive monthly email newsletters with exclusive coupons, tips from experts and new product information. Since the program launched, we've enrolled over seven million members.

# COMMITTED TO OUR COLLEAGUES' HEALTH, CAREERS AND WELL-BEING

We know that our colleagues are our greatest asset – an asset that separates us from every other company. That's why we make continual investments in programs designed to keep our company one of the best places to work. As an integrated company with colleagues working in specific health care areas as well as a number of disciplines, our commitment is to our colleagues' health, careers and well-being. Our commitment includes providing comprehensive benefits and wellness programs, encouraging our colleagues to provide feedback on what makes CVS Caremark a great place to work as well as ways we can improve the workplace experience, recognizing our colleagues' contributions to our company, ensuring our work environment is inclusive of all colleagues, providing opportunities for career growth and development, creating new jobs, and upholding workplace policies aimed at protecting our colleagues.

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## Comprehensive Benefits

Our company offers a comprehensive benefits package that includes personalized health care and wages paid reflect the knowledge and experience required for a specific job. Our part-time colleagues are eligible for a limited benefits package that includes medical, hospital

indemnity, dental, vision and life insurance that are paid for by the colleague on a pre-tax basis. Full-time colleagues, those working an average of 30 hours per week or more (23 hours per week in Calif.), are offered a full benefits package, which includes a 401(k) and Employee Stock Purchase plan; comprehensive medical, prescription, vision and dental coverage with contributions payable on a pre-tax basis; life, accident and disability insurance; flexible spending accounts; paid time off; tuition reimbursement; and an employee discount at our stores as well as access to many other employee discounts.

### WellRewards – Investments in Colleague Health

CVS Caremark once again was named one of the nation's leading corporations for its proactive approach to workplace health and its investment in programs helping employees and their families make better choices about their health and well-being. This recognition came with CVS Caremark's inclusion on the 2010 Best Employers for Healthy Lifestyles list unveiled in June 2010 by the National Business Group on Health in Washington, D.C.

Specifically, CVS Caremark was recognized with a Gold Award for its WellRewards programs that support employees who embrace healthy behaviors and commit





to long-term behavior changes to improve their health. These wellness investments helped employees improve their health in several key areas including smoking cessation, improved rates of mammograms and colon-cancer screenings, prenatal maternity care, physical activity and healthy eating.

Our strategy is twofold: encourage colleagues to be good consumers of health care and help them make healthier lifestyle choices. Colleagues are educated about making better decisions through a variety of resources, including a Care Advocate Team of dedicated nurses, decision support tools, self-directed DVD programs, a quarterly wellness newsletter, health assessments and disease management programs. These programs utilize several methods to help colleagues improve health behaviors, including seminars, coaching, incentives for community weight loss solutions, cafeteria “stop-bys,” online health improvement programs and Shape Up the Nation exercise competitions. We use a variety of communication methods to inform and encourage employees to participate in WellRewards. Our Shape Up the Nation program, which started in our Rhode Island headquarters, was expanded to distribution centers in 2010.

Tens of thousands of CVS Caremark colleagues covered by our health plans took advantage of the tools we made available to them in 2010. By engaging with their Care Advocate Teams, answering Health Risk Questionnaires and enrolling in targeted health initiatives, they found ways to increase their control over their own health. Of note, more than 1,000 colleagues enrolled in the Healthy and Smokefree program in 2010, representing 5 percent of colleagues covered by CVS Caremark health plans who smoke. Of these employees, 43 percent quit smoking outright.

***Destination: Healthy Baby!***

In the area of neonatal health, our plan members and their babies made very significant progress in 2010, through the Destination: Healthy Baby! program. This program is designed to lower the rate of pre-term births, the number of pregnancy-related hospital admissions and the length of admissions to the Neonatal Intensive Care Unit (NICU). Expectant mothers are encouraged to enroll early in their pregnancies. The program provides them access to a personal maternity nurse, support for any special needs during pregnancy, customized maternity education materials and a parenting program for their first year as a parent. In the third trimester, after



completion of a Postpartum Depression Assessment, program participants receive additional materials including an Infant CPR Friends & Family Kit. In 2010, 40 percent of the colleagues covered by our health plans who became pregnant enrolled in the program, and 97 percent of NICU admissions were enrolled. As a result, the preterm birthrate for our enrolled colleagues was 10 percent – below the national average of 12.7 percent. And the average length of stay for babies decreased 15.5 percent – down from 19.5 days prior to the program to 16.5 days in 2010.

#### ***Fertility and Adoption Benefits***

Once again in 2010, the magazine *Conceive* listed CVS Caremark among the “50 Best Companies” for fertility and adoption benefits. The rankings are based on the company’s fertility and adoption coverage, including benefits for assisted reproductive technology and in vitro fertilization, infertility prescription drugs,

paid parental leave, and cash reimbursement toward adoption expenses. CVS Caremark received this same recognition from *Conceive* in 2009.

#### ***Making Healthy Choices***

By early 2011, heading up to the open enrollment period for 2011 benefits, more than 20,000 colleagues had participated in enough 2010 benefit year WellRewards programs to earn a financial incentive in the form of a \$180 premium reduction. An internal communications campaign encouraging colleagues to earn points for healthy lifestyle choices, such as obtaining a flu shot or completing preventative health screenings, noted that the \$180 premium reduction was equivalent to 62 gallons of gas, three months of morning coffee, 51 gallons of milk, or an iPod shuffle with 100 song downloads.

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## Listening to Colleagues, Sharing Feedback

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

## Employee Engagement Survey

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

We use the survey's results to understand what colleagues value most in their workplace, to identify opportunities for improvement and to track our progress over time. On key measures of engagement, the 2010 survey found that a significant percentage of employees agreed with the statements below.

**84%**

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

**78%**

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

**72%**

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

**87%**

I AM ALWAYS WILLING  
TO GIVE EXTRA EFFORT  
TO HELP CVS CAREMARK  
SUCCEED.

**82%**

I REALLY CARE  
ABOUT THE FUTURE  
OF CVS CAREMARK.

**69%**

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

**72%**

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

**68%**

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

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





## GOALS & Results

### Leveraging the Strength of our Diversity

In our 2009 Corporate Social Responsibility Report, we stated our intention to enhance the company’s approach to strategic diversity management in the coming year. We have since created a Diversity Management Executive Steering Committee, which is chaired by CVS Caremark President and CEO, Larry Merlo. This group sets short- and long-term strategy in the area of diversity management. Another executive committee created in 2010, the Diversity Management Leadership Council, was founded with the following charter:

#### We will:

- Support our corporate mission by strengthening CVS Caremark’s diversity management capability
- Improve the effectiveness and integration of workforce, workplace and marketplace efforts

All new colleagues are introduced to the company’s diversity management philosophy during the new hire orientation process, and diversity training is also offered throughout the year for various levels within the organization.

Across the company in 2010 we launched “Diversity – the Competitive Advantage,” a diversity curriculum for leaders that enables participants to build their skills in identifying and managing diversity as a core strength of their teams. In early 2011, this program was expanded to include a two-part web-based seminar giving participants the specific tools they need to meet and exceed their personal and professional goals in the area of diversity management in 2011. This curriculum is set to expand further in 2011 with web-based coursework for “first level leaders” – managers, supervisors and individual contributors. These web-based courses were added to the curriculum in addition to the company’s existing instructor-led diversity management course in order to make the content accessible across our entire company via LEARNet, our intranet learning portal.

#### Colleague Resource Groups

Our Colleague Resource Groups also were active in 2010, led by colleagues and supported by Company leaders. The Company counts 12 Colleague Resource

Groups (CRGs) in all across our locations, including an Asian Colleague Resource Group, African American Resource Groups (two), Latino Colleague Resource Groups (four) and Women Colleague Resource Groups (five). Plans are underway to further expand the growth of these groups in 2011, and a working committee has been convened to launch “Valor,” a Colleague Resource Group for military veterans, those currently serving and their supporters.

All chartered CRGs are required to submit an annual business plan in order to receive budgetary support from the Company. Beyond discussing Company issues and opportunities, our CRGs were active in local communities in 2010, contributing nearly 3,000 volunteer hours over the course of the year. Internal program development is another focus. In 2011, the Women’s Success Network, one of our largest CRGs, will launch a pilot mentoring program in partnership with the company’s senior leaders and with support from the Human Resources department.

#### CVS Caremark Diversity Profile

New Hires	Total Workforce
42% Minority	38% Minority
62% Women	66% Women
35% Women in director and above positions	
One in five colleagues aged 50 or older	



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## Recognizing and Rewarding Hard Work

We have a number of recognition programs to reward and inspire our colleagues, and the work we conducted in 2010 will lead to the development of additional formal and informal ways that we can recognize and reward quality work in 2011.

### Paragon Award

Each year, we recognize our company's best and brightest store and operations colleagues with the CVS Caremark Paragon Award. This award, the highest honor a colleague can achieve within our company, is reserved for individuals who make remarkable contributions on the job or in their community. Our Paragons, as they are called, have embraced their role in helping to improve the quality of human life and inspire others to do the same. The example they set each day helps our entire organization to succeed. In September 2010, nine colleagues were recognized with the CVS Caremark Paragon Award – two from the PBM, six from retail and one from MinuteClinic.

### Chairman's Award

The company recognizes noteworthy accomplishments by non-store colleagues through the prestigious Chairman's Award. In 2010, the Chairman's Award was given to 14 colleagues for leading successful major initiatives, teamwork, generating new ideas, increasing revenues, and demonstrating leadership and commitment to our Vision, Mission and Values. The selection process is rigorous and includes input from the individual's supervisor, our management team and the CVS Caremark Board of Directors.

### Breakthrough Awards

Announced on a quarterly basis, the CVS Caremark Breakthrough Awards recognize those colleagues who not only deliver top-notch results and execution, but in particular those who are innovative in their approach. As our company strives to improve the quality of human life, innovation will ultimately be the measure of our success. As such, our Breakthrough Award winners – numbering about 50 in 2010 – are helping prepare our company for the future, and setting an example for each of us to follow.

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## Creating Opportunities

### Career Development and Training

Whether they work in our stores, call centers, mail pharmacies, corporate offices, or any other location, all CVS Caremark colleagues receive regular training, which is an important part of the Company's culture of lifelong learning and skill development. In all, some 94 percent of employees participated in an average of three hours or more of training in 2010. Nearly 50 training and development programs exist across the Company, including our Emerging Leaders Program (see below). These programs allow us to evolve as a Company and to retain and benefit from the expertise of seasoned employees who depend on training as an important way to advance their careers. Managers and supervisors actively promote these training opportunities to all employees as part of the Company's normal course of business.

CVS Caremark understands the importance of retaining talented, dedicated colleagues. One way we achieve this is through internal promotions, which allow colleagues to pursue their career goals while contributing to the growth of our company. Colleagues can work on their own development through an online resource that helps them access, track and manage their career goals at CVS Caremark.

### Emerging Leaders Program

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

Most colleagues who are promoted to field management positions are graduates of the Emerging Leaders Program. In 2010, the program prepared 191 high-performing colleagues for this next step in their careers.

### **Leadership Forum**

Our Leadership Forum was conceived in 2009 as a program that could help us build the next generation of CVS Caremark leaders with a broad understanding of our integrated approach to health care. Leadership Forum participants are selected for their potential to contribute to our culture, to think strategically across our multiple lines of business, and to build and maintain relationships across the Company that can be leveraged to help us deliver for our customers, patients, clients and plan members. In 2010, 28 high-potential leaders from across the company were selected to participate in our Leadership Forum.

### **Partnering With Communities to Create Job Opportunities**

Our collaborative approach to working with nonprofit and government leaders to build recruitment and training programs and create job opportunities in the communities we serve has earned our Company wide recognition. CVS Caremark enforces non-discriminatory hiring practices throughout the Company.

In May 2010, we reported to Congress' Joint Economic Committee that we had introduced more than one million youths to pharmacy as a potential career and provided \$4 million in summer internship wages for high school students since 2000. We provided this update in testimony to a Joint Economic Committee hearing entitled "Avoiding a Lost Generation: How to Minimize the Impact of the Great Recession on Young Workers." The hearing was called as part of Congress' effort to address the impact that the economic downturn has had on younger workers.

Also in 2010, as President Barack Obama developed his own strategy for workforce development, we participated in his Economic Recovery Advisory Board, on a subcommittee tasked with advising the White House on workforce development strategies as part of its overall approach to economic recovery. We also participated in an information-gathering session at the Department of Labor in 2010, providing Secretary Hilda Solis with an overview of our workforce development programs.



In addition to Pathways to Pharmacy, the program that introduces young people to careers in pharmacy, we continued to build on our past successes in workforce development in 2010 through programs such as Welfare to Work, Regional Learning Centers, pharmacy internships and other programs. Through the Welfare to Work program, we have hired more than 70,000 people since 1996 who had been on public assistance. In 2010, more than 5,000 people were hired through this program. We are proud to have a high rate of retention of these colleagues that is approximately double the rate of the average new retail employee.

#### ***Mature Workers***

Another area where we continued to invest in 2010 was in our Mature Workers program – an initiative designed to recruit and retain colleagues who are 50 or older. Over the past two decades, CVS Caremark has actively increased the number of colleagues who are 50 or older through our mature worker programs, and partnerships with groups such as AARP, National Council on Aging, American Society on Aging, Experience Works, Senior Community Service Employment Program, and others.

Today, mature workers represent approximately 22 percent of our workforce. Some of our mature workers have been with the company for years, with many completing their 40th, 50th and even 60th year of service, while others have joined the company as a second career – sometimes choosing to work just part-time.

#### **Workplace Policies**

As an employer, we maintain a set of policies designed to ensure that CVS Caremark workplaces are welcoming, productive places where all colleagues feel safe and empowered to contribute to our Mission. Our anti-harassment, anti-discrimination and other policies are embedded in our Code of Conduct, which all colleagues sign when joining the Company. While only a small number of CVS Caremark colleagues are represented by unions – approximately 6 percent – the right to organize is also embedded in our company policies. We enjoy excellent, professional and productive relationships with our union colleagues and their representatives and

we recognize the right of our employees to decide for themselves whether or not to join a union.

In 2010, with the Company launching new initiatives on Facebook, Twitter and other social media sites, we added a new policy to help our colleagues understand the Company's philosophy regarding social media. Our Social Media Policy reiterates the Company's requirement that colleagues always carefully protect personal, health and employee data, and that they also comply with other existing policies and procedures related to the Company's proprietary information. The Social Media Policy also encourages colleagues who do use social media to ensure that any work-related activity is consistent with our Values of Accountability, Respect, Integrity, Openness and Teamwork.

#### **Health and Safety**

In 2010, CVS Caremark consolidated all employee safety programs as the first step in creating an Enterprise-wide Safety Program that encompasses all operations of the Company. During this process, key processes were evaluated and changes were made to include company and industry best practices. In addition, CVS Caremark rolled out key safety programs to enhance safety awareness and improve compliance. These safety programs focused on regulatory compliance and amelioration of conditions that could result in employee injuries. CVS Caremark ended 2010 with reduced employee injuries compared to 2009 and no employee fatalities.

In 2011, the Company will continue to evaluate processes to meet the goal of a comprehensive safety culture and Enterprise-wide Safety Program. Communications to the employees and training will be provided to continue to promote safety in the workplace.

## SOCIAL COMMITMENT AND PHILANTHROPY

CVS Caremark committed more than \$50 million in support of the communities we serve in 2010 through targeted cash grants, in-kind contributions, volunteer hours and in-store fundraisers. Through these efforts we supported more than 1,200 nonprofits nationwide and positively impacted the lives of nearly three million people.

We delivered highly impactful programs in our two primary areas of focus: children with disabilities and health care access for under-insured and uninsured populations. We also made a number of important strides in employee volunteerism and engaged our customers through in-store programs.

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### CVS Caremark All Kids Can

CVS Caremark All Kids Can™, our signature program, is focused on serving children with disabilities and their families by creating opportunities for children of all abilities to learn, play and succeed. Over the past five years, through our dedicated All Kids Can program CVS Caremark has contributed more than \$50 million in support of children with disabilities and their families.

#### CVS Caremark All Kids Can Partners

As with all of our community investment programs, we rely heavily on nonprofit partners to help identify areas where we can make the greatest positive impact on the lives of children with disabilities. Three national partners – Easter Seals, VSA and Boundless Playgrounds – have provided invaluable insights.

#### *Easter Seals*

CVS Caremark was the National Premier Sponsor of Easter Seals Walk With Me in 2010 for the fifth year. About 4,500 CVS Caremark colleagues participated in 60 Walk With Me events and raised more than \$1 million, bringing the total donated since 2006 to \$7 million.

#### VSA

Founded by Ambassador Jean Kennedy Smith, VSA, the international organization on arts and disability, promotes access to the arts for all people and encourages youth to express themselves through artwork. We established our partnership with VSA in 2007 and continued to expand upon it in 2009 and 2010. Through the Call to Create campaign, a nationwide call for children to submit their artwork for consideration for a national exhibition in Washington, D.C., we received more than 5,500 pieces of art; 22 percent of the pieces submitted were from children with disabilities. The national exhibition displayed 51 works of art, and we brought 48 of the artists and their families to the nation's capital so they could see their work on display.





### ***Boundless Playgrounds***

A pioneering organization dedicated to the creation of playgrounds that all children can use, Boundless Playgrounds has been a CVS Caremark All Kids Can partner since 2005. In 2010, we completed 19 playground projects in 11 states, with colleagues volunteering to participate in construction work and grand opening events from coast to coast. One project, the Anne & Kirk Douglas Boundless Playground in Los Angeles' Gilbert Lindsay Park, was the centerpiece of a major urban-renewal project in South Los Angeles, an area of 500,000 residents with a high rate of children with disabilities. In Houston, the Eastwood Park Boundless Playground is now open for play in a zip code which includes more than 1,000 children with disabilities. We have a dozen additional playgrounds scheduled for completion in 2011.

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### **CVS Caremark Charitable Trust**

The 2010 roster of CVS Caremark Charitable Trust grant recipients tells the story of the Trust's continuing ability to find opportunities to invest in specific areas of focus across a broad range of communities. In all, charitable organizations received a total of \$3.3 million in support from the Trust in 2010. About half of the grants were aligned with CVS Caremark All Kids Can. The rest support programs that increase access to health care services for the under-insured and uninsured.

In 2010, the Trust also responded to the growing need for support in a number of specific areas including early intervention and other programs for children with autism, life skills training and assistive technologies. Of the \$3.3 million awarded, more than \$550,000 is supporting

programs designed to help improve the quality of life for children with autism. Approximately one out of 150 children today are diagnosed with autism, and having access to the right support at the earliest stage of life helps provide these children with the skills they need to be successful. In one example, Advocates for Children of New York, Inc., is focused on improving access to early intervention services for low-income children in the New York City area.

The Trust also provided approximately \$230,000 in funding in recognition of the critical importance of programs that support independent living and that teach life skills to young people with disabilities. One grantee, United Cerebral Palsy of Southeastern Wisconsin, received support for programs that help teenagers and young adults with disabilities transition successfully into adulthood.

With a growing number of parents and educators turning to technology as a resource, the Trust has seen an increase in demand for assistive technologies and for online resource development for parents and caregivers. A number of the 2010 grants are enabling nonprofits to provide their communities with innovative technology solutions. One of them, North Carolina's Assistive Technology Loan Program, is providing sensory integration equipment for children with developmental disabilities.

Given the high number of Americans without health insurance, access to health care also remains an area of focus for the Trust. Grants totaling more than \$1 million fund a wide range of services from routine exams to dental care and transportation services. One of these grant recipients, the YWCA of Greater Dallas, is using the support to fund its Women's Health program, which provides free mammograms for uninsured or under-insured women.

#### Volunteer Challenge Grants

With CVS Caremark colleagues across the country volunteering thousands of hours for community service projects, the CVS Caremark Charitable Trust amplifies the positive impact they make through the funding of grants for volunteer service. These grants not only help local nonprofits but also encourage colleague volunteerism. In 2010, the Trust distributed 240 grants totaling \$159,000.

#### CVS Caremark Employee Scholarships

The Trust funds college scholarships for children of CVS Caremark colleagues. An independent panel of judges reviews applications and chooses scholars based on academic achievement and other factors including talent and leadership qualities, extracurricular activities, work experience and community service. In 2010, we funded scholarships for 168 college-bound children of our colleagues.

#### Support for Pharmacy Schools

As the leading pharmacy health care company in the United States, we believe we have a responsibility to cultivate students who want to pursue a career in the field of pharmacy. The Trust supports scholarships and building projects at pharmacy schools across the country and in 2010 awarded \$650,000 in grants to continue this work. Most notably, the Medical College of Virginia received \$100,000 in 2010 as part of \$250,000 multi-year grant for their new Learning Resource Building. Scholarship grants were given to Howard University, Belmont University, Rutgers University, University of Minnesota and North Dakota State University, to name a few.

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### Disaster Relief

The CVS Caremark Charitable Trust also made meaningful contributions in the area of disaster relief in 2010. Closest to home and to the hearts of many employees at our headquarters, the Trust responded to historic flooding in Rhode Island. Our donations of \$100,000 to the American Red Cross and \$25,000 to the United Way of Rhode Island were key in the successful fundraising drive to support the recovery efforts in the affected communities. The Trust made an additional \$100,000 donation to the American Red Cross Disaster Relief Fund in support of flood relief efforts in Alabama, Mississippi, Tennessee and other southeastern states. We also responded to the earthquake in Haiti, with \$175,000 donated to nonprofit partners selected for their specific ability to provide relief directly to the people of Haiti – the American Red Cross, Partners in Health and Operation Helping Hands. CVS Caremark also matched employee donations to the American Red Cross for



Haiti relief, bringing the total in funding to \$451,000 for this effort. In early 2011, we responded in a similar fashion to the earthquake and resulting tsunami in Japan, with a donation of \$100,000 in addition to matching approximately \$87,000 in donations from CVS Caremark colleagues.

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## CVS Caremark Corporate Giving

### In-Store Fundraising

#### *ALS Therapy Alliance*

Since 2002, our CVS/pharmacy customers and colleagues have participated in our annual fundraiser benefiting the ALS Therapy Alliance. This consortium of scientists and researchers is working on a cure for amyotrophic lateral sclerosis (ALS), a nervous-system disorder that affects 25,000 Americans. There is no known cause or cure for ALS, which brings about a progressive degeneration of motor nerves in the brain and spinal cord, leading to paralysis and death, typically within three to five years of diagnosis. In 2010, this annual fundraiser generated \$4.1 million in just 21 days. Including the 2010 funds, CVS/pharmacy has raised more than \$23 million for the ALS Therapy

Alliance – a single \$1 donation at a time – thanks to the generosity of our customers and store colleagues.

The two honorary chairmen of the 2010 ALS Therapy Alliance campaign made this year's fundraiser all the more meaningful for our company. One of them, Treg Charlton, a father of two who was diagnosed with ALS in 2010, is also a Regional Director of Real Estate for CVS/pharmacy. The other honorary campaign chairman, Jeremy Williams, has two children and was diagnosed in 2008. CVS/pharmacy met Jeremy, the football coach for Georgia's Greenville High School, in the spring of 2010 during the taping of the season finale of *ABC's Extreme Makeover: Home Edition*, which featured Jeremy's family. CVS/pharmacy partners with the show's producers to support deserving families that are caring for loved ones with disabilities. For the Williams family, CVS/pharmacy donated all medical equipment, provided an outside therapy playground for Jeremy's son, Jacob, who was born with Spina-Bifida, and paid off all of the family's medical debt. (For more on our partnership with *Extreme Home Makeover: Home Edition* see p. 40.)

#### *St. Jude Thanks and Giving Campaign*

In the world of health care, St. Jude Children's



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

This support is 100 percent funded by CVS/pharmacy customers and colleagues who add \$1 to their purchase at the register in support of St. Jude's life-saving research. In 2010, this effort raised \$5.5 million bringing the total amount raised since 2004 to more than \$25 million.

#### **Volunteerism**

Volunteerism remained another powerful aspect of our approach to community engagement in 2010. Among other activities, we engaged our colleagues through participation in company-sponsored events and programs in each community, including Easter Seals Walk With Me events, Boundless Playgrounds projects and VSA arts programs. During the fourth quarter, our colleagues also came together to support Feeding America and its local network of food pantries and soup kitchens by volunteering their time when Feeding America needed it most. Nationwide, CVS Caremark colleagues volunteered more than \$1 million worth of hours of time last year.

#### **Employee Relief Fund**

CVS Caremark announced that it would be launching an Employee Relief Fund in 2011 supported by employee payroll fundraising contributions and donations from CVS Caremark. The Fund is intended to provide short-term, immediate financial relief to employees who have suffered significant hardship as a result of a natural disaster, family death, medical emergency or other unforeseen designated events.

#### **CVS/pharmacy Samaritan Vans**

Launched back in 1978 in a time before cell phones enabled on-demand access to roadside emergency services, the CVS/pharmacy Samaritan Van was a welcome sight on the highway. CVS/pharmacy Samaritan Vans are still offering public safety assistance to vehicles stopped along our nation's highways. In

2010, we responded to more than 93,000 incidents on the road, providing assistance to more than 70,000 motorists. Throughout the year, we traveled more than 832,000 miles, stopping on average every 8.8 miles to provide some kind of assistance. In all, 23,676 disabled vehicles were assisted, 13,979 pieces of hazardous debris were removed from travel and breakdown lanes, 1,092 lost motorists were provided with local directions, 886 rides were given to people walking along the roadway, 426 unsecured loads were secured and 88 animals were rescued and placed with rescue organizations or returned to their owners.

#### **ABC's Extreme Makeover: Home Edition**

Through a partnership with ABC's *Extreme Makeover: Home Edition*, CVS/pharmacy has had an opportunity to extend our efforts to support families in need who are caring for loved ones with disabilities. In one instance, we traveled with the ABC crew to Kemah, Texas in the wake of Hurricane Ike to help Melissa and Larry Beach and their family, known as the "Beach 15," reflecting Melissa and Larry's 13 children, nine of whom are adopted. Five of their adopted children have serious mental and physical disabilities, so when their home was severely damaged by Ike's wind and floodwaters, the *Extreme Makeover: Home Edition* crew came to the rescue, and CVS/pharmacy joined the effort, donating a therapy room, an elevator and other medical supplies to help make the Beach home a safe environment for their children. As always, our colleagues also volunteered their time for this project, one of several in which we participated in 2010.

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## **Supporting Communities Through Social Media**

As we developed new ways of interacting with our customers and other members of the public through social media in 2010, we launched a Facebook page for CVS Caremark All Kids Can. This community is designed to provide resources for families raising children with disabilities and provide emotional support to other members of the Facebook community with whom they share a common bond.

We also partnered with PepsiCo on a unique program that delivered support to one of our All Kids Can national partners, Boundless Playgrounds, while bringing the



CVS Caremark All Kids Can campaign to new audiences through Pepsi's extensive social media outreach. This campaign, a module of the highly successful "Pepsi Refresh," asked consumers to vote on which one of three proposed Boundless Playgrounds projects should receive funding.

We also used Facebook and Twitter to promote the campaigns and causes of our nonprofit partners through awareness campaigns in 2010 and early 2011.

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## Charitable Events

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

### CVS Caremark Charity Classic

One of the largest charitable sporting events in New England, the CVS Caremark Charity Classic once again drove a much-needed wave of investment for nonprofits in New England, with more than \$1.3 million in funds raised during the 2010 tournament. Including the proceeds generated in 2010, the Classic so far has raised more than \$14 million for Southeastern New England nonprofits over the past 12 years. The 2010

Classic supported more than 60 nonprofit organizations working on a wide range of important issues including health care, education, homelessness, energy assistance and hunger.

### CVS Caremark Downtown 5K

The 2011 CVS Caremark Downtown 5K, supported more than 50 nonprofit organizations and schools from Rhode Island and Massachusetts. This year's donation brings funds raised during CVS Caremark's sponsorship of the Downtown 5K to nearly \$1.2 million. This year, we were also excited to celebrate the Downtown 5K Dashers, individuals who have participated in every Downtown 5K since its inception in 1990.

The CVS Caremark Downtown 5K is Rhode Island's largest road race and in 2010, included 21 different races for children of all ages as well as an All Kids Can Inspirational event for children with physical and intellectual disabilities. The main 5K race featured several elite and world-class runners, as well as amateur runners competing as individuals or on college, corporate, police and firefighter teams. There is also a High School Inspirational 3K for student athletes, which has been sponsored for the last two years by Tufts Health Plan.



# COMMITTED TO A HEALTHY ENVIRONMENT

CVS Caremark is committed to contributing to a healthy environment and has set forth a clear direction for our future efforts. We have undertaken a number of initiatives to strengthen this commitment, including updating our environmental policy statement, adopting a climate change policy statement, expanding our approach to how we measure our greenhouse gas (GHG) emissions, identifying additional ways to conserve natural resources, promoting sustainable products, and engaging our customers and colleagues in our efforts.

## CVS Caremark's Environmental and Climate Change Policy

In 2010, we began the process of assessing our environmental initiatives and determined the need for a more defined policy to guide our efforts.

### Environmental Policy Statement

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

CVS Caremark's enterprise-wide environmental strategy, goals and quantifiable targets are established and overseen by senior leaders who comprise our Environmental Leadership Council, and, as appropriate, are reviewed by the company's CEO for approval. The process for developing our strategy, goals and targets involves engagement with colleagues from across the enterprise and third-party environmental experts.



We believe that ongoing measurement, auditing and transparency of our initiatives are essential components of our environmental commitment and will lead to improved performance over time. Our approach to disclosure includes issuing an annual Corporate Social Responsibility Report and participating in other initiatives, such as the Carbon Disclosure Project.

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

- Addressing our enterprise-wide climate-related impacts through reductions in greenhouse gas emissions
- Conserving natural resources by seeking reductions in energy use, water use and solid waste
- Encouraging more recycling throughout our enterprise and the use of recycled materials in the products we purchase and sell
- Minimizing the use of raw materials in our products and packaging
- Seeking feasible alternatives for materials of concern in the development of our products
- Managing hazardous materials effectively to ensure safe and proper disposal
- Employing LEED and Energy Star standards in the construction of our facilities

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

#### Employees

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

#### Customers

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

#### Suppliers

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

#### Government

Monitoring environmental policy and legislation

#### Environmental groups

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

## GOALS & Results

#### Climate Change Policy Statement

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

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

- Routine monitoring and review of potential risks and opportunities related to climate change (physical, regulatory, operational and financial)
- Implementation of energy and greenhouse gas efficiency programs in our operations including our retail stores, pharmacies, offices, distribution centers and fleet vehicles
- Ongoing communication and engagement with internal and external stakeholders regarding our climate-related performance





## Measuring and Reducing Our Greenhouse Gas Emissions

We first reported our carbon footprint in 2008, and have continued to monitor our emissions closely in accordance with the Greenhouse Gas Protocol, published by the World Resources Institute, and the World Business Council for Sustainable Development (WBCSD). In 2010, we engaged a third-party environmental consultancy to help us evaluate our measurement techniques and set goals for reducing GHG emissions in the future.

As reported in last year's CSR Report, absolute carbon emissions increased in 2009 compared to the previous year, mostly due to the acquisition of Longs Drugs stores in late 2008. In 2010, we expanded the boundaries of our carbon footprint to include refrigerants. We have since recalculated our GHG emissions to include refrigerants for 2009. Doing so enabled us to measure our year over year progress,

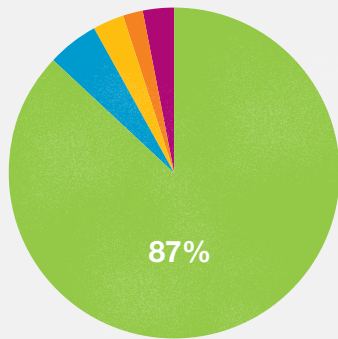
which demonstrated a decrease in our absolute GHG emissions of 8,000 tonnes.

Our stores account for 97 percent of our GHG emissions, so we measure carbon intensity per square foot of retail space. This measurement helps to normalize our emissions so we can more accurately gauge the effectiveness of our GHG reduction initiatives and set meaningful performance targets. While we realized a marginal drop in absolute emissions in 2010, our intensity per square foot of retail space remained constant.

### What We Measure

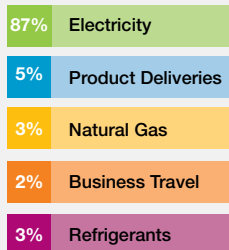
The boundary set for our carbon footprint evaluation is based on available data and industry standards, as defined by the WBCSD. We included the energy used in all CVS/pharmacy stores, distribution centers and corporate offices as well as emissions from business travel and product deliveries. As noted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

### TOTAL CARBON FOOTPRINT IN CO<sub>2</sub> EQUIVALENT EMISSIONS, BY TYPE, AND PER METRIC TONNES FOR 2009-2010

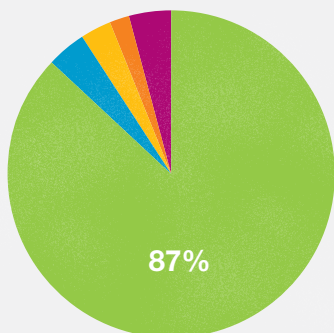


#### 2009

1,786,000 tonnes | CO<sub>2</sub>

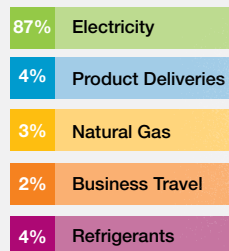


Restatement of 2009 absolute emissions to include refrigerants



#### 2010

1,778,000 tonnes | CO<sub>2</sub>e

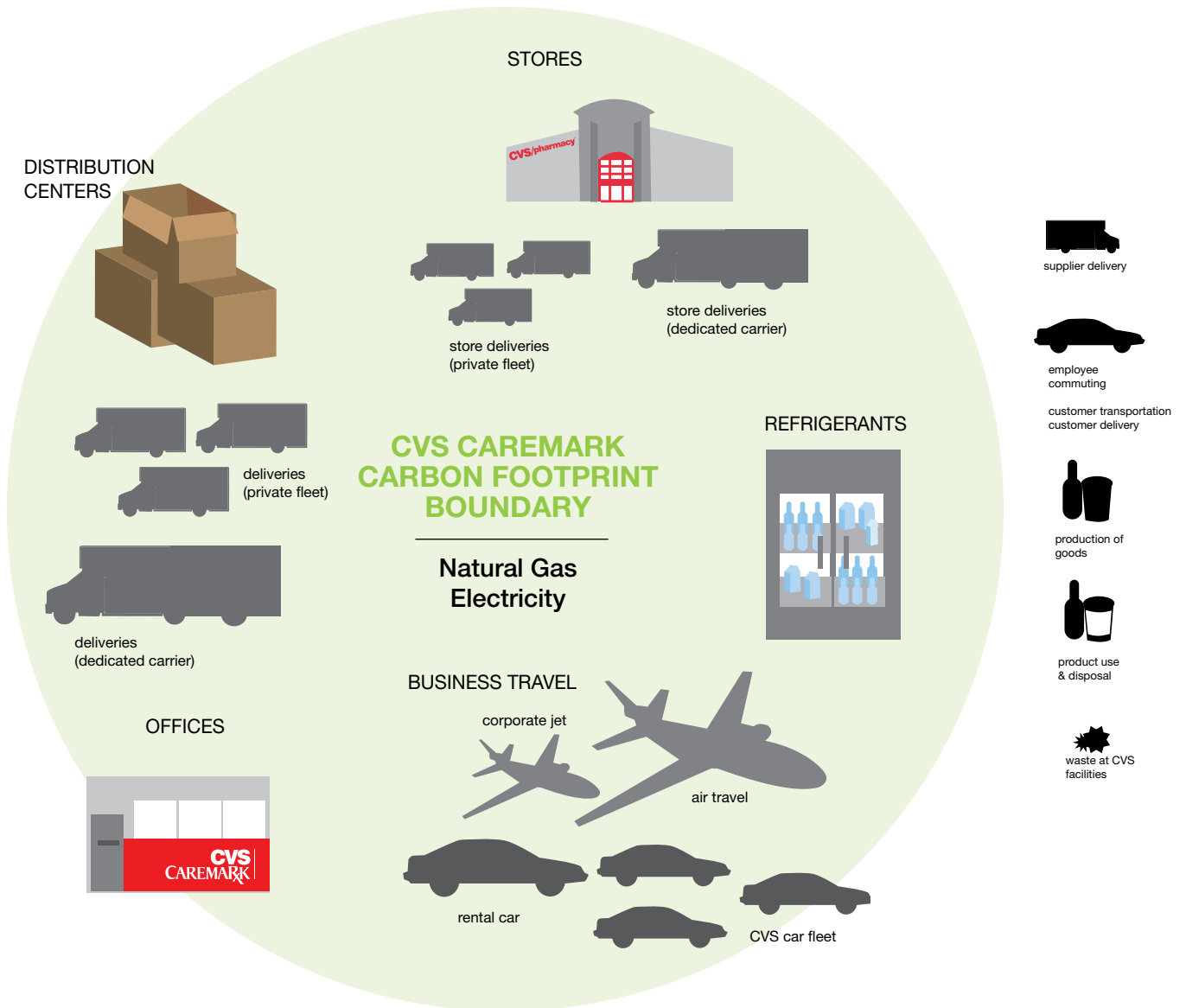


Reduced by 8,000 tonnes over 2009 emissions



CARBON INTENSITY MEASUREMENT BASED ON PER SQUARE FOOT OF RETAIL SPACE FOR 2009-2010

YEAR	CO <sub>2</sub> EQUIVALENTS intensity per sq. foot of retail space	SQ. FEET of retail space	YEAR TO YEAR CHANGE
2009	.026 metric tonnes	67.8 million	Restatement of 2009 emissions intensity to include refrigerants
2010	.026 metric tonnes	69.7 million	Intensity remained flat



TOTAL ENERGY USAGE, BY TYPE, FOR 2009-2010

YEAR	ELECTRICITY	NATURAL GAS	FUEL CONSUMPTION
2009	2.8 million MWh <sup>1</sup>	9.8 million therms <sup>2</sup>	10.8 million gallons <sup>3</sup>
2010	2.8 million MWh <sup>1</sup>	10 million therms <sup>2</sup>	9.8 million gallons <sup>3</sup>

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

<sup>2</sup> Data represents total natural gas consumption at distribution centers, stores and administrative locations. Propane and oil usage at these facilities (760,000 gallons for 2010) was not reported in 2009 and is not included. Totals also exclude natural

gas, oil and propane usage exclusively at PBM facilities and facilities with landlord-paid utilities.

<sup>3</sup> Data represents enterprise-wide total fuel consumption for deliveries, car fleet, employee travel, company-owned cars and air fleet.



### Setting a Carbon Reduction Goal

The process of working with an external party to measure and evaluate our carbon footprint enabled us to participate in the Carbon Disclosure Project (CDP) for the first time in 2010 and make this information publicly available.

It also helped us understand how the growth of our business will lead to increased emissions, while employing strategies to minimize our impact including:

- Driving efficient use of energy
- Adopting alternative and renewable sources of energy, where feasible
- Designing and building new stores to be more resource-efficient and to capture maximum natural light
- Engaging colleagues in our efforts

Moving forward, we have established a 15 percent carbon intensity reduction goal, to be achieved by 2018 (with 2010 as the baseline year). Our intent is to report our progress annually through the CDP and in our annual CSR reports.

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## Using Resources Wisely

Improving our resource efficiency is a priority for CVS Caremark. Because most of our impacts result from store operations and distribution centers, many of our environmental initiatives focus on reducing energy use in these facilities. We also monitor our water consumption at the corporate level and have begun to initiate more programs to reduce our water use.

### Our Approach to Energy Efficiency

In 2010, 87 percent of our carbon emissions came from our use of electricity. Our greatest opportunity to reduce emissions is by adopting new energy efficiency measures and continuing to focus on some of our current efforts. These include:

- Expanding our energy management system to more locations
- Implementing major lighting upgrades at the majority of CVS/pharmacy stores
- Installing energy-efficient roof designs
- Upgrading to energy-efficient HVAC systems in new and relocated stores
- Investing in more efficient refrigeration units in new and relocated stores

- Optimizing our transportation routes and systems to reduce fuel use

### Expanding our Energy Management System

In 2010, we completed a pilot of an energy management system for 250 CVS/pharmacy stores in Florida. The energy management system is run from a centralized corporate location and helps monitor energy use in our stores, automatically adjusting lighting, temperature, HVAC and other systems to only use energy when it is needed. We will begin to expand energy management systems to additional store locations starting in 2011, with the goal of reaching all stores by 2018.

### Improving Lighting

We continue to install more efficient lighting in our CVS/pharmacy stores. For example, we have upgraded lighting systems with the use of LEDs and adjusted noncritical lighting, such as backlighting on cosmetic displays and in refrigerated aisles. We installed LED lighting for outdoor signs at all new stores in 2010, and plan to retrofit existing stores with exterior LED lighting, starting with stores in Hawaii.

### Environmentally-Preferred Roofs

In 2010, we continued to replace existing black rubber roofs on our large facilities with FiberTite white roofing membrane and installed polyiso insulation, environmentally preferred materials that help reflect heat and lower energy consumption. The existing roof materials were removed and the insulation was recycled. These new white roofs help moderate indoor temperatures and reduce energy use. Our goal is to install these “white roofs” on new and relocated stores in the future, particularly in climates where these roofs are practical options and result in more energy-efficient structures.

## KWH REDUCTIONS PER YEAR

In 2010, we upgraded lighting systems at five major distribution facilities and achieved significant energy savings. These energy savings, plus initial savings from a new distribution center in Chemung, N.Y., resulted in reduced energy costs.

DISTRIBUTION CENTER LOCATION	KWH REDUCTIONS
Fredericksburg, VA.	3,897,407 KWh
Knoxville/Louden, Tenn.	3,162,077 KWh
North Augusta, S.C.	1,133,469 KWh
Phoenix, Ariz.	456,623 KWh
Novi Blue Line, Mich.	182,373 KWh

**TOTAL  
8,831,949  
KWH**

### Upgrading Refrigeration Units

Refrigeration is an area in which we are beginning to realize resource efficiencies. Our freezer and refrigerated sections can be controlled better and adjusted based on store needs and regional temperature considerations. The refrigerant can also be more easily changed out to maintain energy efficiencies. We are evaluating the opportunity to save energy in this area and will begin to implement these activities in stores in 2011.

### Alternative and Renewable Energy Sources

One area we are continually exploring is the use of alternative and renewable energy as a means to reduce our GHG emissions. In certain regions, we believe the feasibility of solar-generated electricity is promising. For instance, we determined the use of solar power in our Hawaii operations delivered a strong return on investment, so we are now using some solar power in this region and expect to use more in the future. At the same time, we are investigating the opportunities and incentives to employ solar or other renewable sources in different regions of the country.

After successfully piloting the use of fuel cell technology in forklift machinery in our North Smithfield, R.I. distribution center in 2009, we have begun the design

of a fuel cell infrastructure in our new Chemung, N.Y., distribution center.

### Sustainable Building Design and Construction

Our building design and construction teams incorporate LEED standards when building new stores and facilities. The team participates in the U.S. Green Building Council LEED training programs and, in 2010, opened CVS/pharmacy's first LEED-certified store in La Quinta, Calif.

LEED certification is currently pending for our newest distribution center in Chemung, N.Y. We anticipate receiving certification for this building in 2011. The building includes energy-efficient lighting with motion and light sensors, skylights, energy-efficient conveyor motors, fuel cell technology, recycling capabilities and an energy management system; it also uses rainwater for landscape irrigation.

In late 2010, we began construction on a new distribution center in Hawaii that is scheduled for completion in the third quarter of 2011. This distribution center will include LEED standard features, including an insulated white reflective roof, high-efficiency lighting, skylights and natural vegetation for landscaping that requires less water.



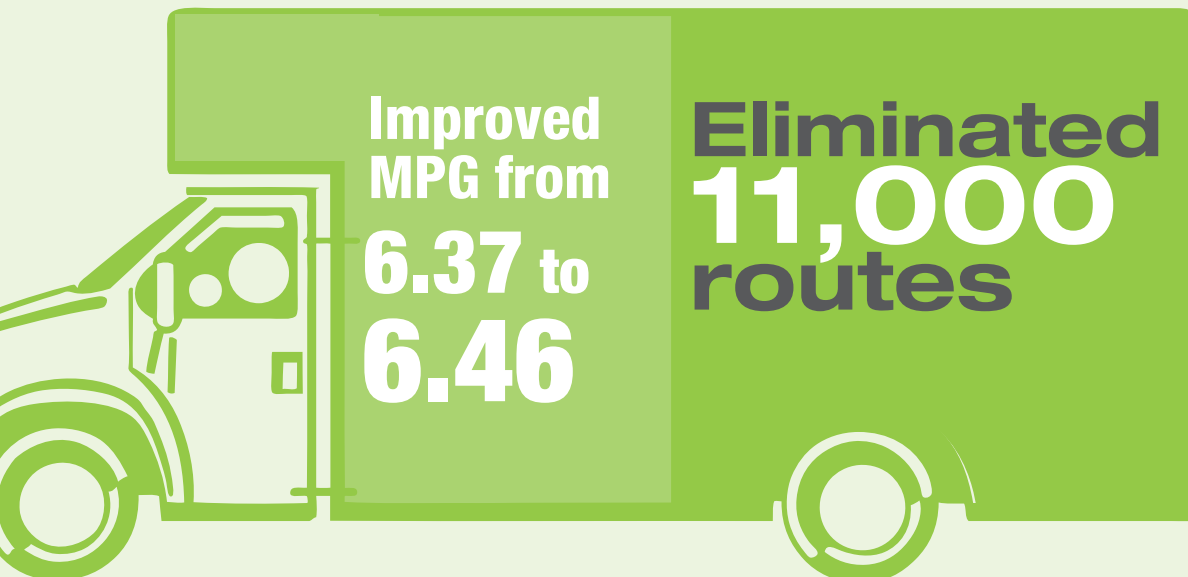
## TRANSPORTING PRODUCTS RESPONSIBLY

The second-largest portion of our carbon emissions is generated by the transportation of our products from our distribution centers to each of our stores. To reduce our emissions and work toward our carbon footprint goal, we applied the following transportation efficiency strategies in 2010:

- Maintained a fleet of modern, fuel-efficient vehicles
- Purchased three new yard tractors in 2010 with better fuel efficiency
- Maintained fuel-efficient speeds on our truck fleet by setting governors at 63 mph, a speed optimized for fuel efficiency
- Added aerodynamic skirts to 14 truck trailers in California to evaluate the efficiencies of expanding the skirts to our entire fleet
- Utilized new trailers with electric backup motors to reduce reliance on diesel-powered cooling units
- Enforced a no-idling policy by reviewing OnBoard Computer performance reports
- Optimized delivery routes and schedules with fuel efficiency in mind
- Optimized cube space of our trucks to limit unnecessary deliveries

Our cube and routing optimization efforts are particularly important, as hundreds of trucks drive thousands of miles each week to distribute products to stores. Routing and cube optimization efficiencies in 2010 increased space utilization by 5.6 percent, eliminated 11,000 routes and saved more than 500,000 gallons of gas, while improving our trucks' miles per gallon from 6.37 in 2009 to 6.46 in 2010.

We will continue to optimize our transportation systems in 2011 and beyond. Specifically, we plan to partner with the Environmental Protection Agency's SmartWay transportation program to employ best practices for reducing transportation emissions.



TRANSPORTATION  
EFFICIENCIES ACHIEVED  
IN 2010 THROUGH  
CUBE AND ROUTING  
OPTIMIZATION

Saved  
**500,000**  
gallons of gas

In addition to these projects, we received LEED Gold status for a new call center on our corporate campus in Rhode Island and LEED certification for the renovation of our marketing support center in the same location. We are seeking LEED certification for another administrative facility in the same location.

Additionally, we are applying LEED standards and environmental considerations in our new store prototype project. We are working on a new “store of the future” which is being designed to enhance the consumer experience while reducing the impact our stores have on the environment.

### Using Less Water

Given the nature of our business, CVS Caremark has a relatively small water footprint. Nevertheless, we recognize that water is a precious resource and we are conscious of conserving water whenever possible.

We began the process of measuring and assessing our water usage in 2010, and are working to establish a baseline that we will use to set future reduction targets and drive performance. Water usage for 2010 totaled 7,346 megaliters, the vast majority of which was supplied by municipal water systems around the U.S. Our intent is to begin reporting our water footprint through the CDP’s Water questionnaire.

In 2010, we took steps to reduce our water usage, beginning with an obvious and large source – our sprinkler and irrigation systems. Our water usage related to these systems was 182,001 kilogallons in 2010, which was a reduction of nearly 26 percent from our 2009 usage of 244,518 kilogallons. This reduction was primarily the result of landscaping efficiencies at our corporate facilities and retail locations, with resulting cost savings.

To drive efficiencies and reduce water usage, we have adopted a water management strategy that includes the following activities:

- Ongoing measurement and monitoring of water use and savings
- Developing a system to project our future usage and identify areas for reduction
- Water guidelines around the development of new properties with appropriate landscaping

- Management incentives for reducing water use
- Implementing water reduction initiatives into LEED and non-LEED buildings
- Enhancing environmental management systems where water is used to dispose of waste materials

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## Managing Waste and Recycling

We use various measures to reduce waste, repurpose materials and recycle at different points in our operations and supply chain.

### A Commitment to Recycling

In 2010, we continued our company-wide recycling initiatives in our distribution centers, stores and corporate offices, focusing our efforts on the following:

- Recycling cardboard packaging, corrugated plastic and pallets at every distribution center
- Using multiple bailers in each distribution center to compress corrugate
- Putting recycling bins in workspaces and conference rooms
- Ensuring paper and plastic materials are collected and recycled in our onsite cafeterias
- Recycling stretch wrap film at various facilities

Results in 2010 included the recycling of 45,000 tons of cardboard and 178 tons of plastic stretch film from our stores and distribution centers. In 2011 we will be exploring other alternatives, including single-source recycling, that will enable us to reduce waste and increase recycling.

### Managing Hazardous Materials and Disposing of Hazardous Waste

A comprehensive process for handling hazardous materials and disposing of hazardous waste is important to us. Because we handle, store, transport and utilize a variety of products, materials and chemicals in our business, we are continually seeking ways to improve our systems. Examples of our improvement initiatives include:

- Segregating products containing certain substances of concern into protected areas within our distribution centers

- Keeping our transportation department informed of regulations and requirements that govern the safe transport and shipping of sensitive products
- Reporting incidents involving hazardous materials, should they occur in our facilities
- Training our employees on the appropriate process for handling and disposal of hazardous waste

### Streamlining Product Packaging

We continue to identify and implement opportunities to reduce materials used in product packaging with our vendors, working directly with them on solutions that meet our mutual needs.

Each year, we host “Packaging and Sustainability” vendor summits and make presentations to share best practices on ways to reduce packaging. We also convey our expectations for sustainable packaging. For example, we prefer no inner packaging when suppliers deliver products to us because reducing inner packaging reduces waste. We encourage suppliers to use recycled materials in their packaging whenever possible. We show examples of preferred inner packaging styles that increase sustainability results and reduce their supply chain costs as well.

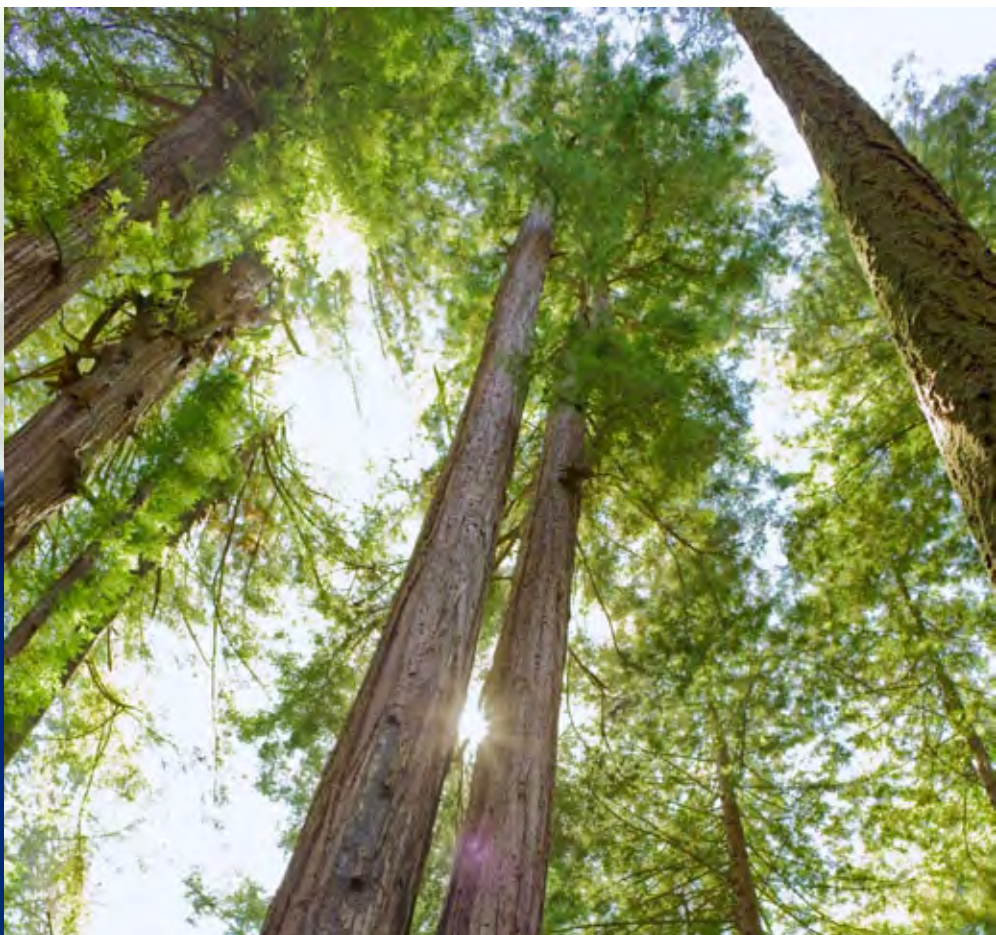
With the help of our vendors and suppliers, we collaborated to reduce inner packaging on 208 products in 2010.

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## Promoting Sustainable Products

We continue to expand the range of environmentally preferred products offered in our stores to meet consumer demand. This includes natural beauty products that meet the European Union standards for reduced environmental risk and impact, as well as beauty brands that have signed the Compact for Safe Cosmetics, including Alba, Avalon, Burt’s Bees, derma e, Dr. Bronner, Giovanni, Jason Natural Products, Weleda and Yes to Carrots.

Our own Earth Essentials product line offers natural, environmentally-preferred and biodegradable paper products made with 100 percent recycled fibers, and plates and bowls made entirely from natural and renewable sugarcane. We’ve recently added lawn bags and trash bags to our line of sustainable products. Greenpeace even awarded our Earth Essentials paper towels, toilet paper and napkins with their “Green





Tree” stamp of approval in 2009, a recommendation that stands today.

In 2010, we launched an Earth Essentials line of cleaning products, which are designed to be effective and Earth-friendly. These products – including all-purpose cleaners, bathroom cleaners, glass/surface cleaners and dishwashing liquids – are made with natural and renewable ingredients and are packaged in recyclable bottles. Features of these products include:

- Natural biodegradable ingredients
- No harsh chemicals or fumes
- No phosphates or phthalates
- Not tested on animals

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## Engaging Others in Our Efforts

Reducing our carbon footprint and supporting the health of our planet is a collaborative effort. We continually evaluate and work with suppliers to help them reduce their impact, while supporting our consumers’ efforts to reduce their own footprint. We rely on our leadership to drive initiatives throughout our organizations and on our employees to take ownership of the impact they can make.

### Helping Consumers Reduce and Reuse

Thousands of consumers shop at our stores and use our pharmacy services every day. In 2010, we continued to encourage CVS/pharmacy customers to use the “GreenBagTag.” Customers purchase the GreenBagTag for \$.99 online or at CVS/pharmacy stores, after which they can earn ExtraBucks every time they use a reusable shopping bag or decline a plastic bag. In 2010, 1.1

million customers scanned a GreenBagTag a total of 22.7 million times and we have issued more than \$5.3 million in ExtraBucks as a reward for this eco-friendly behavior.

In addition, in 2010, we reduced the size and thickness of our CVS/pharmacy plastic bags. Approximately 2.2 million pounds of plastic resin will be saved due to this change.

### Engaging Employees in Environmental Initiatives

We recognize the importance of engaging our employees, and especially our store and distribution center colleagues, in our efforts to reduce our environmental impact.

A cross-section of our senior leaders is involved in the Environmental Leadership Council, overseeing our enterprise-wide environmental strategy and goals. At the corporate level, we educate colleagues about the Company’s environmental efforts and ensure other employees know how to reduce, reuse and recycle whenever possible. This includes reducing use of paper, disposing of waste properly in recycling bins, and providing ideas throughout the company for how to reduce our impact.

In 2011, we will continue to build awareness on the part of our store employees about how they can contribute to our environmental initiatives.





# ABOUT THIS REPORT

CVS Caremark's 2010 Corporate Social Responsibility (CSR) Report provides an overview of the company's social and environmental commitments, and offers progress updates on the company's CSR-related initiatives and goals. There may be certain events or activities referenced in this report that were initiated in 2010 but came to fruition in early 2011. Our 2010 CSR report is our fourth annual publication of this type. We plan to continue reporting on an annual basis.

## Global Reporting Initiative (GRI)

CVS Caremark recognizes the value of universally accepted standards for this type of voluntary reporting. The Global Reporting Initiative (GRI), one of the most accepted frameworks in the world, served as a guide in determining content and performance metrics to include in the 2010 Report. We have provided an index of the GRI standard disclosures, including performance indicators, in this report. It can be found on page 54. Based on the criteria for GRI G3 Guidelines and Application Levels, the 2010 CVS Caremark CSR Report meets requirements for Level C. More information on GRI is available at [www.globalreporting.org](http://www.globalreporting.org).

## Materiality Assessment

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

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

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

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

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

Based on the assessment and a review of the GRI Guidelines, the material issues of greatest importance to CVS Caremark and its stakeholders, of which the company

has a reasonable level of control over, fall into the following areas: corporate compliance, access to pharmacy care, management of the Company's carbon footprint and meeting customer needs.

## Reporting Year

CVS Caremark fiscal year 2010 (January 1, 2010 to December 31, 2010), unless otherwise noted.

## Information Integrity

CVS Caremark management is responsible for the preparation and integrity of the information in this report. The metrics and goals in this report are established and measured by the groups responsible for achieving them. Through a system of internal controls, including a review process involving internal subject matter experts, we believe this report accurately and fairly represents our CSR activities, programs and results for the fiscal year ending December 31, 2010. The report was reviewed and approved by members of CVS Caremark senior management. However, this report has not been externally audited or verified by an independent third party, and at this time, the Company does not have a policy for external assurance of its CSR Report.

## Your Feedback

This report is an important tool for communicating our corporate social responsibility performance and progress. Your feedback is important to us as we continue to look for ways to improve our reporting and provide you with the information you need. Please submit your feedback to [CSR@cvs.com](mailto:CSR@cvs.com).

## Preparation of this Report

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401-765-1500  
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This report contains certain forward-looking statements that are subject to risks and uncertainties that could cause actual results to differ materially. For these statements, the company claims the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. The company strongly recommends that you become familiar with the specific risks and uncertainties outlined under the caption "Cautionary Statement Concerning Forward-Looking Statements" in its Annual Report on Form 10-K for the fiscal year ended December 31, 2010.

## GLOBAL REPORTING INITIATIVE (GRI) INDEX

Indicator	Topic	Location	Coverage <small>(Full or Partial)</small>	Page #
<b>Strategy and Analysis</b>				
1.1	Statement from the CEO.	Statement from the CEO	F	5
1.2	Description of key impacts, risks, and opportunities.	Statement from the CEO	P	5
<b>Organizational Profile</b>				
2.1	Name of the organization.	CVS Caremark Company Profile	F	6
2.2	Primary brands, products, and/or services. The reporting organization should indicate the nature of its role in providing these products and services, and the degree to which it utilizes outsourcing.	CVS Caremark Company Profile	F	6
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	CVS Caremark Company Profile	F	6
2.4	Location of organization's headquarters.	CVS Caremark Company Profile	F	6
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	CVS Caremark Company Profile	F	6
2.6	Nature of ownership and legal form.	CVS Caremark Company Profile	F	6
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	CVS Caremark Company Profile	F	6
2.8	Scale of the reporting organization.	CVS Caremark Company Profile	F	6
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	CVS Caremark Company Profile	F	6
2.10	Awards received in the reporting period.	Corporate Governance Committed to Our Colleagues' Health, Careers and Well-being	F	8, 28
<b>Report Parameters</b>				
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	About this Report	F	53
3.2	Date of most recent previous report (if any).	About this Report	F	53
3.3	Reporting cycle (annual, biennial, etc.)	About this Report	F	53
3.4	Contact point for questions regarding the report or its contents.	About this Report	F	53
3.5	Process for defining report content, including: Determining materiality, prioritizing topics within the report; and identifying stakeholders the organizations expects to use the report.	About this Report CVS Caremark Company Profile	F	53, 6
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers).	About this Report	F	53
3.7	State any specific limitations on the boundary of the report.	About this Report	F	53
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	About this Report	F	53
3.9	Data measurement techniques and the basis of calculations, including assumptions and techniques underlying estimations applied to the compilation of the indicators and other information in the report.	About this Report Committed to a Healthy Environment	F	53, 44
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement.	Committed to a Healthy Environment	F	44
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	Committed to a Healthy Environment	F	44
3.12	Table identifying the location of the Standard Disclosures in the report.	About this Report	F	53
3.13	Policy and current practice with regard to seeking external assurance for the report. If not included in the assurance report accompanying the sustainability report, explain the scope and basis of any external assurance provided.	About this Report	F	53

## GLOBAL REPORTING INITIATIVE (GRI) INDEX

Indicator	Topic	Location	Coverage (Full or Partial)	Page #
<b>Governance, Commitments, and Engagement</b>				
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	Corporate Governance	F	9
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	Corporate Governance	F	9
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	Corporate Governance	F	9
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	Corporate Governance	F	9
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	Corporate Governance	F	10
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	Corporate Governance	F	8
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	CVS Caremark Mission and Values; Integrity & Compliance Program; Supplier Ethics Policy;	F	4, 12, 15
4.14	List of stakeholder groups engaged by the organization. Examples of stakeholder groups are: Communities, Civil Society, Customers, Shareholders and Providers of Capital, Suppliers, Employees, Other Workers and their Trade Unions.	Corporate Governance – Stakeholder Engagement	F	11
4.15	Basis for identification and selection of stakeholders with whom to engage. This includes the organization's process for defining its stakeholder groups, and for determining the groups with which to engage and not to engage.	Corporate Governance – Stakeholder Engagement	F	11
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	Corporate Governance – Stakeholder Engagement	P	11
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	Corporate Governance – Stockholder Proposals	P	9
<b>Economic</b>				
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	CVS Caremark Company Profile, Social Commitment and Philanthropy	P	6, 36
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	Serving Our Customers and Patients	F	21
<b>Environmental</b>				
EN3	Direct energy consumption by primary energy source.	Committed to a Healthy Environment	F	46
EN4	Indirect energy consumption by primary source.	Committed to a Healthy Environment	F	46
EN5	Energy saved due to conservation and efficiency improvements.	Committed to a Healthy Environment	F	48
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	Committed to a Healthy Environment	F	47
EN8	Total water withdrawal by source.	Committed to a Healthy Environment	F	50
EN16	Total direct and indirect greenhouse gas emissions by weight.	Committed to a Healthy Environment	F	45
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	Committed to a Healthy Environment	F	47
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	Committed to a Healthy Environment	F	51, 52

## GLOBAL REPORTING INITIATIVE (GRI) INDEX

Social				
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LA4	Percentage of employees covered by collective bargaining agreements.	Committed to Our Colleagues' Health, Careers and Well-Being	F	35
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	Committed to Our Colleagues' Health, Careers and Well-Being	F	28
LA10	Average hours of training per year per employee by employee category.	Committed to Our Colleagues' Health, Careers and Well-Being	P	33
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	Committed to Our Colleagues' Health, Careers and Well-Being	F	33
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	Committed to Our Colleagues' Health, Careers and Well-Being	P	32
PR1	Life cycle stages in which health and safety assessed for improvement and percentage of significant products and services categories subject to such procedures.	Serving Our Customers and Patients	P	23
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	Serving Our Customers and Patients	P	27







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