CVS HEALTH GROUP, Group No. 0001 (2022)
REDESIGNED STATE CLIMATE RISK DISCLOSURE SURVEY

SURVEY QUESTIONS

To provide clear direction for achieving a robust, insurance-sector specific TCFD report, narrative and closed ended questions follow, grouped into the TCFD's four topics: governance, strategy, risk management and metrics and targets.

The statements listed next to numbers and letters are directly taken from the TCFD Framework and should be fully addressed in the insurer's response. As discussed in detail above, insurers should consider including the bulleted items in their response to the TCFD statement above it. For additional guidance on sector specific content to consider including, refer to the Implementation Recommendation Report.

Please see CVS Health Corporation's (CVS Health or the Company) most recent TCFD Report, included as Attachment A, which can be used to supplement the responses hereto.

Governance

1. *Disclose the insurer's governance around climate-related risks and opportunities.*

- CVS Health's Board of Directors is responsible for guiding our climate strategy and response to climate-related issues, and direct oversight is the responsibility of the Chairs of the Board's Nominating and Corporate Governance and Audit Committees. This includes planning for and responding to physical risks from severe weather events, approving plans to reduce our environmental impacts and overseeing our progress against goals and targets.
- Responsibility for our climate change and sustainability strategy is assigned to our Chief Sustainability Officer (CSO), because these areas fall under our Environmental, Social and Governance (ESG) strategy. Our ESG strategy is central to the way we advance our purpose of helping people on their path to better health. Our CSO and the ESG team work with Company leadership to align our strategy with key business imperatives and collaborate with colleagues throughout the Company on specific programs and initiatives. Further, the ESG team works with leaders across the enterprise responsible for ensuring our progress against each pillar of our ESG strategy to ensure it remains aligned with business objectives. Managers with direct oversight of areas within our ESG pillars are responsible for driving performance and meeting established performance targets. These managers are regularly engaged by the ESG team to provide progress updates and identify emerging risks and opportunities.
- Responsibility for our climate-related risks have been assigned to our Chief Risk Officer (CRO). This position is responsible for all risks on the enterprise level and is therefore assigned responsibility for climate-related risks. Responsibilities of

our CRO, in assessing climate-related issues include:
• Working with senior leaders to assess climate-related risks (physical and transition);
• Maintaining our Corporate Risk Register; and
• Reporting to the Audit Committee of our Board of Directors.
Our CRO, oversees the process for monitoring climate-related risks. The process entails:
• Annual assessment of our ER program;
• Annual assessment of the Risk Register; and
• Reporting to the Audit Committee of our Board of Directors.

In disclosing the insurer's governance around climate-related risks and opportunities insurers should consider including the following:

- Identify and include any publicly stated goals on climate-related risks and opportunities.
    - Our climate-related goals include:
        - Achieve carbon neutrality by 2030
        - Procure 50% of energy from renewable sources by 2040
        - Execute our SBTi-validated net-zero target by reducing absolute scope 1, 2, and 3 (value chain) emissions 47% by 2030 and 90% by 2050
- Describe where climate-related disclosure is handled within the insurer's structure, e.g., at a group level, entity level, or a combination. If handled at the group level, describe what activities are undertaken at the company level.
    - Climate-related disclosure is handled at the Company level. Our CSO oversees progress towards our climate-change mitigation strategy. This process for monitoring our progress includes annual reporting on progress in our ESG Report and disclosures. We are committed to increasing transparency and making continuous improvement to our sustainability-related disclosures.

A. Describe the board and/or committee responsible for the oversight of climate-related risks and opportunities.

- Responsibility for oversight of climate-related issues lies with the Nominating and Corporate Governance Committee of the Board of Directors. The Nominating and Corporate Governance Committee, a subset of our Board of Directors, is formally charged with the oversight of Environmental, Social and Governance strategy and performance, charitable contributions, and political spending practices. Specifically, the Nominating and Corporate Governance Committee's climate-related oversight responsibilities include monitoring and overseeing progress against emission reduction targets, including net-zero targets, renewable energy procurement strategies, and review of climate change reporting and risks. The annual ESG Report, presented by the CSO, covers our strategies to manage climate-related issues. These are reviewed annually to ensure that proper processes, controls, and mitigation programs are

in place. In 2022, the Nominating and Corporate Governance Committee recommended, and the Board approved, the designation of a new CSO, in addition to the Committee's continued review of the Company's ESG framework.

- Responsibility and oversight of risks associated with climate-related issues lies with the Audit Committee of the Board of Directors. The Audit Committee is a sub-set of our Board of Directors responsible for, among other things, reviewing and guiding management's risk management policies. The Committee regularly reviews and discusses the key risks identified in the enterprise risk management (ERM) process with the management, their potential impact on the company and our operations, and our risk mitigation strategies and related disclosure matters. These risks may include risks related to climate change, sustainability, and other ESG-related matters. In addition, the committee is also charged with the review of our business continuity and disaster recovery program. The Chair is responsible for ensuring that the Audit Committee carries out its responsibilities.
- Specifically, the Audit Committee's climate-related oversight responsibilities primarily relate to short-term, acute physical risks from severe weather events, which fall under the Enterprise Resiliency (ER) program. In addition, chronic physical and transition risks are also reviewed. Through annual review of the ER program, including impacts from severe weather during the past year, and forward-looking plans of action for the ER program, the Audit Committee guides climate-related risk management policies, and business plans and ensures that proper processes, controls and mitigation programs are in place for climate-related risks relating to severe weather events. Our Chief Risk Officer (CRO) briefs the Audit Committee of our Board of Directors on climate-related issues as needed, and at least annually to support board oversight. Business units and functional areas are responsible for identifying risks, assessing the likelihood and potential impact of significant risks and reporting to the Executive Leadership Team (ELT), including the CRO.

In describing the position on the board and/or committee responsible for the oversight of managing the climate-related financial risks, insurers should consider including the following:

- Describe the position on the board and/or committee responsible for the oversight of managing the climate-related financial risks.
    - The Audit Committee is responsible for reviewing and guiding risk management policies for the Company overall. Key responsibility of the Committee includes reviewing, in conjunction with management, the independent auditor and the internal audit department, the Company's policies and practices and its implementation and effectiveness with respect to risk assessment and risk management, including discussing with management our major risks and the steps that have been taken to monitor and mitigate such risks. This includes our climate-related risks (physical and transition). In addition, the Audit Committee will also review ESG disclosures included as part of the Company's reports to

be filed with the SEC, along with the assurance processes and the internal and disclosure controls and procedures for such ESG disclosures, including financial and other metrics. Such metrics are expected to include our data on GHG emissions. The Chair of the Audit Committee is responsible for ensuring that the Committee carries out its responsibilities. The Committee met nine times in 2022. As per its charter, the Committee reports to the Board periodically, and at least annually.

B. *Describe management's role in assessing and managing climate-related risks and opportunities.*

- Responsibility for our climate-related risks have been assigned to our CRO. This position is responsible for all risks on the enterprise level and is therefore assigned responsibility for climate-related risks. Responsibilities of our CRO, in assessing climate-related issues include:
    i. Working with senior leaders to assess climate-related risks (physical and transition);
    ii. Maintaining our Corporate Risk Register; and
    iii. Reporting to the Audit Committee of our Board of Directors.
- Our CRO, oversees the process for monitoring climate-related risks. The process entails:
    I. Annual assessment of our ER program;
    II. Annual assessment of the Risk Register; and
    III. Reporting to the Audit Committee of our Board of Directors
- Each business unit is responsible for identifying, assessing, and managing opportunities that may arise from climate change. Financial planning is consistently required as we improve our processes in the near-, medium- and long-term. We prioritize risks based on the importance of the issue to the business, stakeholders, and the potential financial impact on the Company. Other major considerations include number of assets, colleagues and customers potentially affected.
- The top risks (potentially highest impact and/or likelihood) for the Company make it on to the Risk Register and are prioritized for mitigation through ER's strategic planning efforts. We have enterprise-wide risk mitigation protocols for physical climate-related risks from extreme weather, including with critical vendors and suppliers. During active situations, risks and threats are tracked in real-time, by our Enterprise Risk Event Monitoring visualization system. We prioritize mitigation efforts based on the importance of the issue to the business, stakeholders, and the potential financial impact on the Company. Other major considerations include number of assets, colleagues and customers potentially affected.

Strategy

2. *Disclose the actual and potential impacts of climate-related risks and opportunities on the insurer's businesses, strategy, and financial planning where such information is material.*

In disclosing the actual and potential impacts of climate-related risks and opportunities on the insurer's businesses, strategy and financial planning, insurers should consider including the following:

- Describe the steps the insurer has taken to engage key constituencies on the topic of climate risk and resiliency.*
    - Internal and external engagement around our sustainability vision is one of our ESG strategic priorities. In addition to our climate-related engagement with suppliers and customers, in the reporting year we engaged with several partners in the value chain including industry groups, non-governmental organizations (NGOs), stockholders, investors, raters, our agency partners and our colleagues.
    - Our strategy for prioritizing engagements across the value chain stems from our ESG strategy, *Healthy 2030* – with four pillars that will guide our efforts over the next decade: Healthy People, Healthy Business, Healthy Community and Healthy Planet- and is aligned with short-term strategic objectives such as achieving our science-based emissions reduction and net-zero targets, as well as long-term objectives like cutting our overall retail environmental impact in half.
    - During 2022, we engaged with the Retail Industry Leaders Association (RILA), Closed Loop Partners, Business for Social Responsibility, Ceres, Friends of the Earth, Roundtable on Sustainable Palm Oil, Sustainable Brands, Sustainable Packaging Coalition, World Wildlife Fund, CDP and the Science-Based Target Initiative, among others. We shared key learnings and best practices that we gleaned from setting our science-based target with industry peers. More details on our stakeholder engagement partners can be found on our website: Stakeholder engagement (cvshealth.com)
    - We have a long-standing, robust stockholder outreach program through which we solicit feedback on our ESG programs and goals. In addition to investor relations meetings throughout the year, in the latter part of 2022, management reached out to stockholders representing 49% of our outstanding shares and engaged with holders of approximately 40% of our outstanding shares.
    - Throughout the reporting period, we responded to investor inquiries on a broad range of ESG topics, most often through phone briefings and email correspondence. Finally, we continued to respond to investor ratings and rankings, including the DJSI, FTSE4Good, ISS and MSCI, to provide investors with a deeper understanding of our ESG impacts and commitments.
    - We worked with agency partners to further develop our climate-related reporting, strategy, scenario analysis and carbon accounting

processes, as well as with a third-party verification firm to assure our carbon footprint calculations. This aids us in ensuring that our reporting against our science-based targets is accurate and credible.

- Colleagues are an important part of our value chain and have the potential to positively affect the Company's environmental impact as it pertains to energy, emissions, waste and water, as well as to fulfil our purpose of helping people on their path to better health.

- Describe the insurer's plan to assess, reduce, or mitigate its greenhouse gas emissions in its operations or organizations.*
  - The following targets, set forth in our validated, second-generation SBT aim to keep in line with the 1.5-degree scenario (SBT) trajectory, namely to (1) reduce absolute Scope 1 and 2 market-based emissions 47% by 2030 from a 2019 base year (2) reduce absolute Scope 1 and 2 emissions 90% by 2050 from a 2019 base year, (3) reduce Scope 3 market-based emissions from purchased goods and services, business travel, and downstream transportation 90% by 2050 from a 2019 base year.
  - We engage in information collection with suppliers to understand their climate-related strategies and encourage our top suppliers to set SBTi validated carbon reduction goals. We are a member of the CDP Supply Chain program to facilitate our collection of supplier emission data and to work with our targeted suppliers. While we have thousands of suppliers, we have chosen to focus our supply chain engagement efforts on our largest suppliers that represent approximately 80 percent of our total spend and 2/3 of cradle-to-gate emissions.
  - With retail pharmacies, distribution centers, offices and other facilities across the country, our buildings are a significant source of our total energy consumption - and as a result, a primary focus of our energy conservation efforts. We will continue to integrate energy efficiency into new construction, retrofit existing spaces and improve energy management across our footprint including further investments in:
    • Multi-year rollout of innovative control to sync lighting with operating hours;
    • LED upgrades in our retail store exteriors and corporate properties;
    • Energy management systems to optimize the use of lighting, heating, ventilation and air conditioning systems in our facilities;
    • Energy-efficient cooler upgrades;
    • Electric charging stations to power electric transport refrigeration units (TRUs) to shift diesel fuel to electric power which will reduce TRU emissions; and
    • A carbon capture pilot.

    To achieve our long-term goals, we recognize the need for robust investment in renewable energy. We have undertaken a target to

procure 50 percent of our energy from renewable sources by 2040. In order to achieve this goal, we have developed a strategic pathway and pipeline of energy deals. We reached our first agreement to purchase renewable energy through a 42 MW share of the Mammoth Central solar facility in Indiana, one of the largest in U.S. We are building a pipeline of similar projects that will ensure we continue to make progress to achieve this goal.

A. *Describe the climate-related risks and opportunities the insurer has identified over the short, medium, and long term.*

- Short-term
  - Risks:
  - Through scenario analysis, we have identified climate-related acute physical risks from hurricanes, flooding, or wildfires potentially having a substantive strategic impact on the business in the near- to short-term.
    - Category 3, 4 or 5 hurricanes with heavy rain causing moderate, wide-spread riverine/coastal flooding that impacts retail locations, corporate offices, distribution centers, call centers and certain PBM locations. These hazards could result in business interruptions as well as decreased asset value or asset useful life, leading to write-offs or asset impairments.
    - Widespread, uncontrollable wildfires that spread from forests to suburban and urban areas affecting our retail locations. This hazard could result in business interruptions as well as decreased asset value or asset useful life, leading to write-offs or asset impairments.
  - The potential aggregate maximum probable loss (MPL) from these risks, mitigated by insurance, is under $48 million. In addition to impacting to our own facilities and retail locations, acute and chronic climate-related physical risks may cause business disruption through our supply chain and logistics functions. These issues could impede our ability to provide lifesaving drugs and medical service to our customers and patients, thus posing a potential reputational risk. Our analysis has yet to definitively identify transitional risks with the

potential to cause substantive financial or strategic impact on the business in the short-term.

- Opportunities:
- As the threats of climate change are realized, our enterprise climate resilience will be increasingly important. The agility that work-from-home and more digital work will allow us to better maintain business continuity during severe climate-related events, allowing us to act as a one stop shop for our customers' health and safety needs.
    - Wildfires: Through scenario analysis, the Company has identified short-term climate-related opportunities that stem from wildfires. These opportunities stem from a shift in consumer preferences that may result in increased revenues due to increased demand for disaster preparedness items for wildfires in Arizona, California, Colorado, Nevada, Oregon or other susceptible geographies. The potential financial impact varies widely based on the location, size, frequency and duration of future wildfires but could result in increased revenue of between $50 million and $200 million.
    - Smart Consumption: In addition, opportunities to reduce direct and indirect costs in our direct operations in the short-term through Smart Consumption and resilience efforts have also been identified. This opportunity has yielded reduced operating costs, primarily through the reduction in electricity use at our corporate offices and headquarters in Woonsocket, RI. With fewer employees working at our offices, we have been able to reduce our spend on lighting, HVAC, and office equipment, e.g., computers, monitors, and printing. As part of

our Smart Consumption plan, we plan to reopen offices at reduced capacity, offering flexible working arrangements with two to three days in office and two to three days remote (40-60% reduction in average occupancy). We expect this ongoing reduction in occupancy to result in continued operational savings.

- Medium and Long-term
  - Because the frequency and intensity of climate-related events, including hurricanes, flooding and wildfires, is expected to increase due to the ongoing effects of climate change, we expect the number of high-risk locations to increase over the medium- and long-term. We expect that enterprise resiliency will become increasingly important in the medium- and long-term. Any related financial opportunities may diminish over time.

In describing the climate-related risks and opportunities the insurer has identified over the short, medium, and longer term, insurers should consider including the following:

- Define short, medium, and long-term, if different than 1-5years as short term, 5-10years as medium term, and 10-30years as long term.
  - Short-term: Within the next five (5) years. Near- term horizon to be the current timeframe through the next three (3) years.
  - Medium-term: Between five (5) to ten (10) years into the future.
  - Long-term: Ten (10) to (20) years into the future.

B. *Describe the impact of climate-related risks and opportunities on the insurer's business, strategy, and financial planning.*

- The potential aggregate MPL from these risks, mitigated by insurance, is under $48 million. These issues could impede our ability to provide lifesaving drugs and medical service to our customers and patients, thus posing a potential reputational risk. Our analysis has yet to definitively identify transitional risks with the potential to cause substantive financial or strategic impact on the business in the short-term. The potential financial impact varies widely based on the location, size, frequency and duration of future wildfires but could result in increased revenue of between $50 million and $200 million.
- For the purpose of assessing climate risk for our ESG programs, what constitutes a substantive impact is generally determined by evaluating the measurable financial impact against various

tempering factors, including the time horizon of the event occurring, the range of uncertainty of the magnitude of the impact, the likelihood of occurrence and our ability to mitigate the risk. In the context of climate-related issues, a measurable (or substantive) financial impact could be considered to be on the order of 50 or more basis points of our Company's annual net income. There may be cases where climate-related risks do not meet the threshold for measurable financial impact, but an assessment of other factors nonetheless warrants a higher level of oversight

In describing the impact of climate-related risks and opportunities on the insurer's business, strategy, and financial planning, insurers should consider including the following:

- Discuss if and how the insurer provides products or services to support the transition to a low carbon economy or helps customers adapt to climate-related risk.
    - Climate-related risks and opportunities have influenced our strategy relating to products and services. As a diversified health services company, we understand that a major disruption in our business can have serious implications for customers and patients who rely on us for their health care needs. Our strategy has been influenced by climate-related risks informing the increased importance to tracking and monitoring severe climate-related events in real-time to maintain business continuity. To better manage climate-related risks we have invested in our ER program, particularly the Enterprise Risk Event Monitoring situational risk visualization system. The time horizon covered by this process is further than 6 years into the future.
    - Our investments in ER programs help us adapt to a changing climate and maintain business continuity through severe climate-related events. Scenario analysis has allowed us to identify climate-related business opportunities. These decisions allow us to integrate climate-related issues into our business strategy.

- Discuss if and how the insurer makes investments to support the transition to a low carbon economy.
    - The Company continues to pursue innovative ways to maximize our efficiency and minimize the Company's environmental impact. One way our strategy has been influenced by climate-related risks and opportunities is by highlighting the need for further investments in R&D for mobile refrigeration. The time horizon covered by this process is further than 6 years into the future. Refrigeration emissions comprise 7% of the Company's overall Scope

1and 2 emissions footprint. Refrigeration is also a critical aspect of our operations as a prescription drug provider. Reducing emissions through more efficient refrigeration has become a focus area of the Company's R&D.

C. *Describe the resilience of the insurer's strategy, taking into consideration different climate-related scenarios, including a 2 degree Celsius or lower scenario.*

- Business Continuity Strategy: As a diversified health services company, we understand that a major disruption in our business can have serious implications for customers and patients who rely on us for their health care needs. Our strategy has been influenced by climate-related risks informing the increased importance to tracking and monitoring severe weather events in real-time, to maintain business continuity. To better manage climate-related risks we have invested in our ER program, and particularly in the Enterprise Risk Event Monitoring situational risk visualization system. Our ER team continues to enhance our business continuity plans to reflect our scenario analysis findings and use real-time monitoring and response capabilities during severe weather events. Climate-related acute physical risks to our stores locations across the U.S. from increased frequency and severity of weather events including hurricanes, floods and fires that may result in temporary or permanent closures, have been identified through scenario analysis. Further, these weather-related risks could have a broader impact on the Company's overall reputation as they could potentially jeopardize our ability to reliably deliver medications and health care services to our customers. To enhance resilience, we expect business continuity efforts to remain a focus area in the future.
- Risk Mitigation Strategy: Our primary response to climate-related physical risks that may cause asset impairment, decreased asset value or asset useful life, leading to write-offs and early retirement of existing high value, strategic assets, as well as clusters of retail locations, is to secure adequate insurance coverage for the entire enterprise, namely our headquarters, distribution centers, specialty pharmacy, mail and retail locations, with a reasonable deductible per occurrence. Our ER team uses scenario analysis findings to inform our climate-related goals, targets, and strategy, including our net zero target and SBT, ensuring we can provide WASH (Water, Sanitation, and Hygiene) services to our employees in water-scarce sites, and mitigating reputational risks by being dependable corporate water stewards. To enhance resilience, we expect risk mitigation efforts to remain a focus area in the future.

Risk Management

3. Disclose how the insurer identifies, assesses, and manages climate-related risks.

In disclosing how the insurer identifies, assesses, and manages climate-related risks, insurers should consider including the following:

- Describe how the insurer considers the impact of climate related risks on its underwriting portfolio, and how the company is managing its underwriting exposure with respect to physical, transition and liability risk.*
    - Physical risks: The potentially most significant risks for the Company are prioritized for mitigation through ER's strategic planning efforts. We have enterprise-wide risk mitigation protocols for physical climate-related risks from extreme weather, including with critical vendors and suppliers. During active situations, risks and threats are tracked in real time by our Enterprise Risk Event Monitoring visualization system. Through business continuity measures, our resources are quickly shifted to alternative hubs to reduce the risk and impact of business interruptions and manage climate-related physical risks.
    - Transition risks: At this time, we have not identified transition risks that meet the threshold for substantive impact.
    - Liability Risk: At this time, we have not assessed liability risks.
- Describe any steps the insurer has taken to encourage policyholders to manage their potential physical and transition climate related risks, if applicable.*
    - CVS Health is a leader in key segments of health care through its foundational businesses and is creating new sources of value by expanding into next generation care delivery and health services, with a goal of improving satisfaction levels for both providers and consumers. The Company believes its integrated health care model increases access to quality care, delivers better health outcomes and lowers overall health care costs. CVS Health's ERM process includes a multi-disciplinary review of business risks and emerging issues where controls and activities are identified to mitigate such risks and overseen by senior management, including the Audit Committee and Board of Directors. CVS Health's risk and opportunity identification process, with respect to climate change, are integrated into the risk management process.
    - CVS Health believes in leading by example and discussing its accomplishments with others. The Company's commitment to a healthy environment is highlighted in its annual ESG report found on its investor webpage and our ESG approach, *Healthy 2030*, is focused on achieving our economic, environmental and social imperatives and shaping a more equitable and sustainable future for all—across multiple dimensions of health. Grounded in four pillars – Healthy Business, Healthy People, Healthy Community and Healthy Planet – *Healthy 2030* is designed to encompass the breadth of our

enterprise and the unique ways that we can leverage our position as a leader in health care to impact the health of the people and communities we serve, our business and our planet. Our *Healthy 2030* strategy guides our commitment to improving the health of the people and communities we serve.

- Potential customers frequently ask the Company about its environmental strategy and processes during an initial Request for Proposal stage. CVS Health is proud of its environmental /sustainability progress and achievements and responds to these requests.

- Describe how the insurer has considered the impact of climate-related risks on its investment portfolio, including what investment classes have been considered.*
  - Our portfolio management efforts are guided by our Investment Policy, which is designed in a large part, to mitigate the risk of any single investment, issuer or industry representing a disproportionate downside risk to the portfolio. Climate-related risks are potentially of great importance to various industries and geographic areas, and at this time we believe they are most effectively evaluated as part of our ongoing fundamental research efforts in the various asset classes we invest in. Our analysts consider both internal and external risks, including, but not limited to, direct and indirect climate risk factors, that would affect the ability of issuers and counterparties to maintain a strong financial position, repay debt, and remain competitive in the long run.
  - We also follow regulatory guidance associated with climate change risks and ESG risks, as the majority of our investments support insurance liabilities and are subject to statutory investment law. We are careful about managing exposure to borrowers and geographies that are more exposed to climate risk as part of our day-to-day portfolio management, but our strategy is not designed to completely exclude any sector, industry or geography from our investment universe solely on the basis of anticipated climate risk.

A. *Describe the insurers' processes for identifying and assessing climate-related risks.*
   - The process for identifying and assessing the potential size and scope of risks is assigned to leaders of our business units. Our CSR department and third-party experts support and validate the quantification process. The process includes qualitative and quantitative analysis to assess the potential size and scope of identified risks based on the criticality, timeliness and relevance of the issue to the Company's assets, operations and colleagues.

In describing the insurers' processes for identifying and assessing climate-related risks, insurers should consider including the following:

- Discuss whether the process includes an assessment of financial implications and how frequently the process is completed.*
  - Among other factors, property value and maximum foreseeable loss, maximum probable loss, potential number of short- or long-term site closures, colleagues that could be impacted, as well as potential impacts on revenue, operating costs, and physical assets are assessed. Risks that may have a substantive financial impact are presented to the Enterprise Risk Committee, to further assess the potential size and scope of risk to the overall enterprise.

B. *Describe the insurer's processes for managing climate-related risks.*
   - The Company's primary approach to climate-related risks is based on risk mitigation. The potentially most significant risks for the Company are prioritized for mitigation through a combined effort between ERM and ER's strategic planning efforts. We have enterprise-wide risk mitigation protocols for climate-related physical risks from extreme weather, including with critical vendors and suppliers. During active situations, risks and threats are tracked in real time by our Enterprise Risk Event Monitoring visualization system.

C. *Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the insurer's overall risk management.*
   - Our ER program regularly evaluates risks to our operational footprint, including our physical assets and colleagues, as well as risks within our supply chain. We prioritize mitigation efforts based on the importance of the issue to the business, stakeholders, and the potential financial impact on the Company. Other major considerations include number of assets, colleagues and customers potentially affected.
   - We have enterprise-wide risk mitigation protocols for climate-related physical risks from extreme weather, including with critical vendors and suppliers. During active situations, risks and threats are tracked in real-time by our Enterprise Risk Event Monitoring visualization system. Our 24/7 Operations Center also monitors threats and risk events, allowing us to coordinate our response and support our colleagues and field leaders through our emergency hotline. The Emergency Notification Systems solution called CVSAlert deployed by ER sends emergency messaging to impacted colleagues during significant events. A component of our situation reports - Community Lifeline - provides clarity around the status of fundamental services, such as power and water, during a risk event.

In describing how processes for identifying, assessing, and managing climate-related risks are integrated into the insurer's overall risk management, insurers should consider including the following:

- Discuss whether climate-related risks are addressed through the insurer's general enterprise-risk management process or a separate process and how frequently the process is completed.
    - Climate-related risks are included in our multi-disciplinary company-wide risk identification, assessment, and management process. The process for identifying and assessing risks at the Company level is assigned to the leader of each business. Leaders assess risks by quantifying potential impacts in financial terms. When the potential financial impact of an identified risk exceeds the Company's threshold for substantive or strategic impact, the risk is added to the risk register and become subject to direct Board oversight.
    - For the purpose of assessing climate risk for our ESG programs, what constitutes a substantive impact is generally determined by evaluating the measurable financial impact against various tempering factors, including the time horizon of the event occurring, the range of uncertainty of the magnitude of the impact, the likelihood of occurrence and our ability to mitigate the risk. In the context of climate-related issues, a measurable (or substantive) financial impact could be considered to be on the order of 50 or more basis points of our Company's annual net income. There may be cases where climate-related risks do not meet the threshold for measurable financial impact, but an assessment of other factors nonetheless warrants a higher level of oversight.
- Discuss the climate scenarios utilized by the insurer to analyze its underwriting risks, including which risk factors the scenarios consider, what types of scenarios are used, and what timeframes are considered.
    - At this time, we do not perform climate scenario analysis on to analyze our underwriting risk.
- Discuss the climate scenarios utilized by the insurer to analyze risks on its investments, including which risk factors are utilized, what types of scenarios are used, and what timeframes are considered.
    - At this time, we do not perform climate scenario analysis to analyze our investment risk.

Metrics and Targets

4. *Disclose the metrics and targets used to assess and manage relevant collateralized risks and opportunities where such information is material.*

In disclosing the metrics and targets used to assess and manage relevant collateralized risks and opportunities where such information is material, insurers should consider including the following:

- Discuss how the insurer uses catastrophe modeling to manage the climate-related risks to your business. Please specify for which climate-related risks the insurer uses catastrophe models to assess, if any.
    - To evaluate current and future climate-related risks, hazards and vulnerability (e.g., sites with the highest likelihood of a severe hurricane, flood or fire), we use datasets from NOAA, the U.S. Geological Survey (USGS), and the U.S. Forest Service. Additionally, the WRI (World Resources Institute) Aqueduct tool is used to identify sites located in areas with potential for riverine, coastal flooding, water stress, drought risk, groundwater table decline, and interannual and seasonal variability.

A. *Disclose the metrics used by the insurer to assess climate-related risks and opportunities in line with its strategy and risk management process.*
    - In order to measure and manage risk of write-offs and early retirement of existing assets (e.g., damage to property and assets in "high-risk" locations) the following metrics are tracked:
        - Number and proportion of high-risk sites (critical infrastructure and retail sites) with exposure to hurricanes, flooding and forest fires: 358; 4% of total US locations
        - Proportion of square footage of high-risk sites ((critical infrastructure and retail sites) with exposure to hurricanes, flooding and forest fires: 5% of total US square footage
        - Estimated aggregate maximum probable loss (MPL) value for at-risk sites in the highest risk clusters before insurance (inherent risk):
            - Hurricane-induced flooding: $106 million (critical infrastructure and retail sites)
            - Wildfires: $48 million (retail sites)
        - Estimated aggregate MPL value for at-risk sites in the highest risk clusters mitigated by insurance (residual risk):
            - Hurricane-induced flooding: $46 million (critical infrastructure and retail sites)
            - Wildfires: $40 million (retail sites)
        - Dollar value of lost inventory
        - Days of temporary closures
        - Number of permanent closures
    - In order to measure and manage risk of reduced revenue from decreased production capacity (e.g., delayed planning approvals, supply chain interruptions) the following metric is tracked:

- Percentage spend with suppliers that report on their own SBTs for, at a minimum, their Scope 1 & 2 emissions.

- To measure and manage the opportunity of increased revenue through new solutions to adaptation needs the following metric is tracked:
  - Estimated potential sales revenue from wildfire emergency preparedness kits for wildfires: between $50 million and $200 million
- In order to measure and manage the opportunity of resource substitutes/diversification the following metric is tracked:
  - Reduced operating costs through Smart Consumption efforts (e.g., through efficiency gains and cost reductions): $7.25 million

In disclosing the metrics used by the insurer to assess climate-related risks and opportunities in line with its strategy and risk management process, insurers should consider including the following:

- In describing the metrics used by the insurer to assess and monitor climate risks, consider the amount of exposure to business lines, sectors, and geographies vulnerable to climate-related physical risks [answer in absolute amounts and percentages if possible], alignment with climate scenarios, [1 in 100 years probable maximum loss, Climate VaR, carbon intensity], and the amount offinanced or underwritten carbon emissions)

B. Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.

- Scope 1 emissions in reporting year covered by target (metric tons CO2e) = 250,022
- Scope 2 emissions in reporting year covered by target (metric tons CO2e) = 786,489
- Scope 3 emissions in reporting year covered by target (metric tons CO2e) = 14,457,271
- Associated Risks
  - Market Risks: Specific climate-related market risks evaluated include potential increases in electricity and fuel prices, as well as increased demand for renewable energy. We require a significant amount of electricity to operate our retail locations, offices, data centers, warehouses and distribution centers, as well as to fuel for our vehicle fleet. A sharp increase in prices could impact our profitability negatively.
  - Policy/ Regulatory Risks: Risks relating to emerging federal and state regulations around climate related risk reporting for financial services businesses were considered as part of our risk assessments during the reporting year. Potential risks relating to emerging regulations around plastic bag bans are also

considered. We have a significant presence in California and are therefore considering the implications of California AB 32. In particular, reduction targets for carbon intensity of transportation fuels used in California are relevant to us given that we operate our own fleet of vehicles. By 2022, California state law will also require commercial entities to comply with water-efficient building standards under laws SB 606 and AB 1668.

- Technology Risks: We evaluated other technology disruptions and potential losses in our supply chain in the case of floods, hurricanes and similar climate-related events. We also consider how technologies such as emergency refrigeration of drugs, mobile clean rooms, and generators help mitigate risks in severe weather. Financially, we are at risk of physical damage to our facilities, lost inventory from power outages and lost business from being closed in the wake of a natural disaster.

C. Describe the targets used by the insurer to manage climate-related risks and opportunities and performance against targets.

- In 2022, we continued our aggressive emissions reduction measures consistent with our commitment to reach net-zero greenhouse gas emissions across the value chain by 2050.
- In the reporting year, we achieved a 13.18% reduction against the 2019 baseline. This is an average annual reduction of 3.3%, short of the needed 4.3% annual reduction needed to keep pace with our goal. With retail pharmacies, distribution centers, offices and other facilities across the country, our buildings are a significant source of our total energy consumption - and as a result, a primary focus of our energy conservation efforts. We will continue to integrate energy efficiency into new construction, retrofit existing spaces and improve energy management across our footprint including further investments in:
    - Multi-year rollout of innovative control to sync lighting with operating hours;
    - LED upgrades in our retail store exteriors and corporate properties;
    - Energy management systems to optimize the use of lighting, heating, ventilation and air conditioning systems in our facilities;
    - Energy-efficient cooler upgrades;
    - Electric charging stations to power electric transport refrigeration units (TRUs) to shift diesel fuel to electric power which will reduce TRU emissions; and

    - A carbon capture pilot.
- To achieve our long-term goals, we recognize the need for robust investment in renewable energy. We have undertaken a target to procure 50 percent of our energy from renewable sources by 2040. In order to achieve this goal, we have developed a strategic pathway and pipeline of energy deals. We reached our first agreement to purchase renewable energy through a 42 MW share of the Mammoth Central solar facility in Indiana, one of the largest in U.S. We are building a pipeline of similar projects that will ensure we continue to make progress to achieve this goal.

Closed-ended questions directly correspond to the narrative above, allowing for explanation and qualification of the yes/no answers. Closed-ended questions are voluntary for reporting year 2022 and individual states may elect not to request them.

Governance

- Does the insurer have publicly stated goals on climate-related risks and opportunities? (**Y**/N)
- Does your board have a member, members, a committee, or committees responsible for the oversight of managing the climate-related financial risk? (**Y**/N)
- Does management have a role in assessing climate-related risks and opportunities? (**Y**/N)
- Does management have a role in managing climate-related risks and opportunities? (**Y**/N)

Strategy

- Has the insurer taken steps to engage key constituencies on the topic of climate risk and resiliency? (**Y**/N)*
- Does the insurer provide products or services to support the transition to a low carbon economy or help customers adapt to climate risk? (**Y**/N)
- Does the insurer make investments to support the transition to a low carbon economy? (**Y**/N)
- Does the insurer have a plan to assess, reduce or mitigate its greenhouse gas emissions in its operations or organizations? (**Y**/N)*

Risk Management

- Does the insurer have a process for identifying climate-related risks? (**Y**/N)
    - If yes, are climate-related risks addressed through the insurer's general enterprise-risk management process? (**Y**/N)
- Does the insurer have a process for assessing climate-related risks? (**Y**/N)
    - If yes, does the process include an assessment of financial implications? (**Y**/N)
- Does the insurer have a process for managing climate-related risks? (**Y**/N)
- Has the insurer considered the impact of climate-related risks on its underwriting portfolio? (Y/**N**/Not Applicable)*
- Has the insurer taken steps to encourage policyholders to manage their potential climate-related risks? (**Y**/N)*
- Has the insurer considered the impact of climate-related risks on its investment portfolio? (**Y**/N)*
- Has the insurer utilized climate scenarios to analyze their underwriting risk? (Y/**N**)
- Has the insurer utilized climate scenarios to analyze their investment risk? (Y/**N**)

Metrics and Targets

- Does the insurer use catastrophe modeling to manage your climate-related risks? (**Y**/N)
- Does the insurer use metrics to assess and monitor climate-related risks? (**Y**/N)
- Does the insurer have targets to manage climate-related risks and opportunities? (**Y**/N)
- Does the insurer have targets to manage climate-related performance? (**Y**/N)

*Asterisks represent questions derived from the original Climate Risk Survey.

CVS Health TCFD – For release Spring 2022

GOVERNANCE

Governance A)
Board's oversight of climate-related risks and opportunities

Governance A.1)
Processes and frequency by which the board is informed about climate-related issues
(Source: CDP C1.1a, C1.1b, C1.2)

Our Board of Directors is informed about climate-related issues quarterly through standing agenda items presented to its Nominating and Corporate Governance (NCG) Committee and its Audit Committee.

NCG Committee
Pursuant to its charter, the NCG Committee is formally charged with oversight of our Environmental, Social and Governance (ESG) strategy and performance, of which climate change is an important component. The NCG Committee provides feedback and direction on the Company's approach to key public policy issues related to ESG matters and reviews our annual ESG report before it is released for annual publication.

Our Chief Sustainability Officer (CSO) informs the NCG Committee on ESG matters, sustainability, climate-related risks and opportunities, as well as updates the NCG Committee on progress towards goals and targets, at least quarterly, including once a year in conjunction with the NCG Committee's review of the annual ESG report.

During the reporting period, the NCG Committee supported management's decision to continue our Smart Consumption enterprise modernization initiative, that includes enhancing the Company's remote working capabilities for increased climate resilience and business continuity. These projects, which were accelerated by the COVID-19 pandemic, are expected to help keep our employees safer during climate change-related extreme weather events, as well as decrease energy consumption at our offices.

Audit Committee
The Audit Committee is responsible for reviewing and guiding risk management policies for the Company overall. This includes our Corporate Security and Resiliency (CS&R) program, under which climate-related risks from severe weather fall. This oversight function includes oversight of the Company's Enterprise Risk Management (ERM) program, in addition to the CS&R program, as outlined in the Audit Committee Charter. The Audit Committee guides climate-related risk management policies, business plans, and oversees the processes, controls, and mitigation programs in place for climate-related risks relating to severe weather events. This includes reviewing impacts from severe weather and risk mitigation efforts that were taken during the past year, as well as forward- looking plans of action for the CS&R and ERM programs.

Our Chief Risk Officer (CRO) and Chief Compliance Officer (CCO)informs the Audit Committee on climate-related risks as needed, typically twice a year, to support board oversight. Our CS&R and ERM programs focus on operating a comprehensive risk-based program to protect our colleagues and assets, as well as to help ensure business continuity across the enterprise. Governance mechanisms include reviewing and guiding risk management policies for our potentially most significant risks, corporate policies and business plans.

Governance A.2)
Board consideration of climate-related issues
(Source: CDP C1.1a, C1.1b)

NCG Committee
The NCG Committee's climate-related oversight responsibilities include monitoring and overseeing progress against goals and targets for addressing climate-related issues.

Climate related issues are considered when:
- Reviewing and guiding strategy
- Reviewing and guiding major plans of action
- Reviewing and guiding business plans
- Monitoring and overseeing progress against goals and targets for addressing climate-related issues
- Reviewing the annual ESG Report

Audit Committee
The Audit Committee's climate-related oversight responsibilities primarily relate to short-term, acute physical risks from severe weather events, which fall under the CS&R and ERM programs.

Climate related issues are considered when:
- Reviewing and guiding major plans of action
- Reviewing and guiding risk management policies
- Reviewing and guiding business plans

Governance A.3)
How the board monitors and oversees progress against goals and targets for addressing climate-related issues
(Source: CDP C1.1a, C1.1b)

The NCG Committee monitors progress towards climate-related goals and targets in conjunction with review of the annual ESG report.

The Audit Committee monitors progress against climate-related goals and targets through its annual review of the CS&R and ERM programs.

Governance B)
Management's role in assessing and managing climate-related risks and opportunities
(Source: CDP C1.2, C1.2a)

Governance B.1)
Management-level positions assigned climate-related responsibilities
The three highest management-level positions with responsibility for assessing and managing climate-related issues at the Company are the CSO, the CCO and the CRO.

CSO

Responsibility for our climate change and sustainability strategy is assigned to our CSO because these areas fall under our ESG strategy. Our CSO and CSR team work with other Company leaders to align our ESG strategy with key business imperatives and collaborate with colleagues throughout the Company on specific programs and initiatives.

During the reporting period, our goal to achieve net-zero GHG emissions across the value chain by 2050 was validated by the Science Based Target Initiative (SBTi). Our CSO oversaw this process.

Responsibilities of our CSO in **assessing** climate-related issues include:

- Working with senior leaders to identify and assess climate-related risks and opportunities
- Conducting/refreshing materiality assessments in conjunction with the preparation of our annual ESG report and leading stakeholder engagement efforts
- Leading the Sustainability Leadership Council - a team of leaders who set sustainability strategy, review progress towards our carbon reduction goal, and report to the Executive Leadership Team (ELT), a group of senior-level corporate executives representing all major business units of the Company
- Serving as the executive sponsor of the *Green Team*, a colleague resource group focused on engaging colleagues in environmental sustainability
- Reporting to the NCG Committee on climate-related issues as needed, typically quarterly

Our CSO oversees progress towards our climate change mitigation strategy. The process for **monitoring** our progress entails:

- Annual assessment of progress towards our carbon reduction targets
- Annual reporting on progress in our ESG report and disclosures
- Reporting to the NCG Committee
- Annual climate change strategy and planning updates

CCO and CRO

Responsibility for our climate-related risks have been assigned to our CCO and CRO. These positions are responsible for all compliance matters and risks at the enterprise level and are therefore assigned responsibility for climate-related risks, including severe weather events. Our CCO is responsible for overseeing our CS&R program. Our CRO heads up the Enterprise Risk Committee, is responsible for overseeing our ERM program, as well as the maintenance of our risk register, which catalogues the Company's potentially significant risks.

Responsibilities of our CCO in assessing climate-related issues include:

- Working with senior leaders to assess climate-related risks from severe weather
- Reporting to the Audit Committee

Our CCO oversees the process for **monitoring** climate-related risks. The process entails:

- Annual assessment of our CS&R program
- Regularly reports to the Audit Committee on the impacts of natural disasters and climate-related issues (at least quarterly)

Responsibilities of our CRO in **assessing** climate-related issues include:

- Working with senior leaders to assess climate-related risks from severe weather
- Maintaining our risk register
- Reporting to the Audit Committee

Our CRO oversees the process for **monitoring** climate-related risks. The process entails:

- Annual assessment of our ERM program
- Annual assessment of the risk register
- Regularly reports to the Audit Committee on climate-related issues (at least quarterly)

Governance B.2)
Associated organizational structures
(Source: CDP C1.2a)

CSO
Our CSO oversees our CSR team and framework and reports to the EVP and Chief Human Resources Officer, who in turn reports to the Chief Executive Officer (CEO).

The CSR team works with leaders across the enterprise responsible for advancing our ESG strategy to help ensure its alignment with business objectives. Managers with direct oversight of areas within our ESG pillars are responsible for driving performance and meeting established performance targets. These managers are regularly engaged by the CSR team to provide progress updates and identify emerging risks and opportunities.

CCO
Our CCO oversees all aspects of compliance and reports to Chief Executive Officer (CEO).

The CCO is responsible for overseeing our CS&R program who maintains the mission of protecting and securing CVS Health's most important assets: its people, facilities, critical business operations and protected information via the Enterprise Resiliency team. Enterprise Resiliency's Crisis Management & Preparedness team is responsible for the coordination with federal, state, and local emergency managers to ensure alignment during emergencies, such as natural disasters, among other potential risks.

CRO
Our CRO oversees the Treasury Department and reports to the EVP and Chief Financial Officer (CFO), who in turn reports to the CEO.

The CRO is responsible for overseeing our ERM program, as well as the maintenance of our risk register, which catalogues the Company's potential most significant risks. Further, our CRO directs and oversees the Company's capital structure: Cash Management, Risk Management, Environment, and Health and Safety Departments, along with capital expenditure, balance sheet and free cash flow forecasting and leasing.

Governance B.3)
Processes by which management is informed about climate-related issues

(Source: CDP C1.2a)

The CSR team works with leaders across the enterprise responsible for advancing our ESG strategy to help ensure its alignment with business objectives. Managers with direct oversight of areas within our three ESG pillars are responsible for driving performance and meeting established performance targets.

These managers are regularly engaged by the CSR team to provide progress updates and identify emerging risks and opportunities. In this manner the CSO, CCO and the CRO are informed about climate-related issues.

Governance B.4)
How management monitors climate-related issues
(Source: CDP C1.2a)

Our CSO oversees progress towards our climate change mitigation strategy. The process for **monitoring** our progress entails:

- Annual assessment of progress towards our carbon reduction targets
- Annual climate change strategy and planning updates
- Annual external progress reporting in our ESG Report and other disclosures
- Regularly reporting to the NCG Committee

Our CCO oversees the process for monitoring climate-related risks from a compliance standpoint. The process entails:

- Annual assessment of our CS&R program
- Regularly reporting to the Audit Committee

Our CRO oversees the process for **monitoring** climate-related risks. The process entails:

- Annual assessment of our ERM program
- Semi-annual assessment of the risk register
- Regularly reporting to the Audit Committee

STRATEGY

Strategy A)
Climate-related risks and opportunities identified

Strategy A.1)
Short-, medium-, and long-term time horizons
(Source: CDP C2.1a)

Short-term: Within the next five (5) years. Near- term horizon to be the current timeframe through the next three (3) years.
Medium-term: Between five (5) to ten (10) years into the future.
Long-term: Ten (10) to (20) years into the future.

Strategy A.2)
Specific climate-related issues potentially arising that could have a material financial impact on the

organization
(Source: CDP C2.3a, C2.4a)

Description of Short-term Risks
Through scenario analysis, we have identified climate-related acute physical risks from hurricanes, flooding, or wildfires potentially having a substantive strategic impact on the business in the near- to short-term.

- Category 3, 4 or 5 hurricanes with heavy rain causing moderate, wide-spread riverine/coastal flooding that impacts retail locations, corporate offices, distribution centers, call centers and certain PBM locations. These hazards could result in business interruptions as well as decreased asset value or asset useful life, leading to write-offs or asset impairments.
- Widespread, uncontrollable wildfires that spread from forests to suburban and urban areas affecting our retail locations. This hazard could result in business interruptions as well as decreased asset value or asset useful life, leading to write-offs or asset impairments.

The potential aggregate maximum probable loss (MPL) from these risks, mitigated by insurance, is under $48 million.

In addition to impacting to our own facilities and retail locations, acute and chronic climate-related physical risks may cause business disruption through our supply chain and logistics functions. These issues could impede our ability to provide lifesaving drugs and medical service to our customers and patients, thus posing a potential reputational risk.

Our analysis has yet to definitively identify transitional risks with the potential to cause substantive financial or strategic impact on the business in the short-term.

Description of Short-term Opportunities

As the threats of climate change are realized, our enterprise climate resilience will be increasingly important. The agility that work-from-home and more digital work will allow us to better maintain business continuity during severe climate-related events, allowing us to act as a one stop shop for our customers' health and safety needs.

Wildfires
Through scenario analysis, the Company has identified short-term climate-related opportunities that stem from wildfires. These opportunities stem from a shift in consumer preferences that may result in increased revenues due to increased demand for disaster preparedness items for wildfires in Arizona, California, Colorado, Nevada, Oregon or other susceptible geographies. The potential financial impact varies widely based on the location, size, frequency and duration of future wildfires but could result in increased revenue of between $50 million and $200 million.

Smart Consumption
In addition, opportunities to reduce direct and indirect costs in our direct operations in the short-term through Smart Consumption and resilience efforts have also been identified. This opportunity has yielded reduced operating costs, primarily through the reduction in electricity use at our corporate offices and headquarters in Woonsocket, RI. With fewer employees working at our offices, we have been able to reduce our spend on lighting, HVAC, and office equipment, e.g., computers, monitors, and printing. As part of our Smart Consumption plan, we plan to reopen offices at reduced capacity, offering

flexible working arrangements with two to three days in office and two to three days remote (40-60% reduction in average occupancy). We expect this ongoing reduced in occupancy to result in continued operational savings.

Description of Medium- and Long-term Risks and Opportunities
Because the frequency and intensity of climate-related events, including hurricanes, flooding and wildfires, is expected to increase due to the ongoing effects of climate change, we expect the number of high-risk locations to increase over the medium- and long-term.

We expect that enterprise resiliency will become increasingly important in the medium- and long-term. Any related financial opportunities may diminish over time.

Strategy A.3)
Processes used to determine which risks and opportunities could have a material financial impact on the organization.
(Source: CDP C2.1b, C2.2)

Risks
Climate-related risks are included in our multi-disciplinary company-wide risk identification, assessment, and management process. The process for identifying and assessing risks at the Company level is assigned to the leader of each business. Leaders assess risks by quantifying potential impacts in financial terms. When the potential financial impact of an identified risk exceeds the Company's threshold for substantive or strategic impact, the risk is added to the risk register and become subject to direct Board oversight.

For the purpose of assessing climate risk for our ESG programs, what constitutes a substantive impact is generally determined by evaluating the measurable financial impact against various tempering factors, including the time horizon of the event occurring, the range of uncertainty of the magnitude of the impact, the likelihood of occurrence and our ability to mitigate the risk. In the context of climate-related issues, a measurable (or substantive) financial impact could be considered to be on the order of 50 or more basis points of our Company's annual net income. There may be cases where climate-related risks do not meet the threshold for measurable financial impact, but an assessment of other factors nonetheless warrants a higher level of oversight.

Opportunities
Each business unit is responsible for identifying, assessing, and managing opportunities that may arise from climate change. Opportunities are capitalized upon if they are deemed profitable, practical and in-line with business strategy. For example, energy efficiency opportunities are primarily identified and assessed in terms of their potential to reduce emissions in-line with our commitment to net-zero greenhouse gas emissions across the value chain by 2050. In conjunction with this analysis, the Facilities unit assesses opportunities in terms of financial impact as part of the planning and budgeting process, generally choosing to capitalize on opportunities that have a reasonable return on investment (ROI).

Strategy A.4)
Identified risks and opportunities by geography
(Source: CDP C2.3a, C2.4a)

Risks by Geography

Southeastern United States and Puerto Rico

High risk clusters for hurricanes were identified along the Gulf of Mexico and the Eastern seaboard of the United States, from Texas to New Jersey, and in Puerto Rico. At each of these locations, the likelihood of Category 3, 4 or 5 hurricanes, with winds exceeding 111 mph, is estimated to be 21-34%.

High risk clusters for flooding that intersect with high risk of hurricanes were identified in Florida, Louisiana, North Carolina and South Carolina. In total, 164 retail locations and 8 critical infrastructure sites were identified as high-risk. At each of these locations, the likelihood of a severe riverine flooding event occurring is estimated to be 0.6%-1%.

The highest risk cluster is located in Southeastern Florida with 130 retail locations and 6 administrative sites (office, distribution center, call centers and certain PBM locations) that were identified as facing climate-related, acute physical risks from hurricanes or flooding that, in the short term, could result in a substantive financial or strategic impact on the business.

Wildfire Susceptible Locations

In California, two high risk clusters comprising a total of 186 retail locations were identified as facing climate-related, acute physical risks from wildfires that, in the short term, could result in a substantive financial or strategic impact on the business. In California, high risk wildfire areas are defined as those with the greatest likelihood of very severe and severe uncontrolled fire in an area of combustible vegetation, most common in rural areas and during periods of high temperatures, high wind, low humidity and low precipitation. Other susceptible geographies include locations in Arizona, Colorado, Nevada, and Oregon.

Opportunities by Geography

In California, there was an observed shift in consumer preferences, namely increased demand for disaster preparedness items during wildfire season. The referenced items include first aid kits, flashlights, bottled water, and particulate matter-blocking face masks to combat the effects of personal injury, extreme heat and brown-outs, infrastructure disruption, and dangerous air quality. Geographies prone to hurricanes and flooding have also demonstrated increased demands for disaster preparedness items. We expect that the geographies noted above as being susceptible to hurricanes, flooding, and wildfires may experience increase demand for disaster preparedness items in the future.

Opportunities relating to our Smart Consumption strategy are focused on savings at our headquarters in Woonsocket, RI and corporate offices throughout the United States.

Strategy B)
Impact of climate-related risks and opportunities on the businesses, strategy, and financial planning.

Strategy B.1)
Impact on businesses and strategy
(Source: CDP C3.1d, C3.1e)

Climate-related issues have influenced our business and strategy in several ways: the products and services we offer, our supply chain strategy, our operations, and research and development (R&D) investment.

Products and services: Climate-related risks and opportunities have influenced our strategy relating to products and services. As a diversified health services company, we understand that a major disruption in our business can have serious implications for customers and patients who rely on us for their health care needs. Our strategy has been influenced by climate-related risks informing the increased importance to tracking and monitoring severe climate-related events in real-time to maintain business continuity. To better manage climate-related risks we have invested in our CS&R program, particularly the Enterprise Risk Event Monitoring situational risk visualization system. The time horizon covered by this process is further than 6 years into the future.

Our investments in CS&R programs help us adapt to a changing climate and maintain business continuity through severe climate-related events. Scenario analysis has allowed us to identify climate-related business opportunities. These decisions allow us to integrate climate-related issues into our business strategy.

Supply chain: The Company is committed to mitigating climate change risks throughout our value chain. Risks in our value chain threaten business continuity and may also result in reputational risk if we fail to deliver the products and services our customers' health depend on. Our value chain strategy reflects our climate-related commitments, including our commitment to reach net-zero greenhouse gas emissions across the value chain by 2050, our responsible use of paper and plastics, and the adoption of the CVS Store Brand Restricted Substances List and our Responsible Palm Oil Sourcing Policy.

To achieve our net-zero commitment, we work with our suppliers to help ensure that they are setting their own SBTs as well as taking steps to reduce their emissions accordingly. We believe that companies that set aggressive carbon reduction targets are more efficient and resilient. Working with suppliers that have SBTs makes us more resilient.

Through our CVS Store Brand Restricted Substances Policy and Sustainable Palm Oil Policy, we have prioritized sourcing certified sustainable palm oil in our store brand products. Our stakeholders, including suppliers, consumers, and NGOs, increasingly recognize the climate-related impacts of sourcing unsustainable palm oil. As consumers become increasingly concerned about climate change and chemical management, demand for products with certified sustainable palm oil is on the rise. This shift in consumer demand presents an opportunity to reformulate our store brand products that contain palm oil and shift to the use of certified sustainable palm oil.

Operations: We have begun to undertake several adaptation and mitigation activities with respect to climate-related impacts to our operations. Our Smart Consumption strategy is designed to diversify our operating inputs for increased climate resilience. This opportunity, the roll-out of which was accelerated due to the COVID-19 pandemic, has yielded reduced operating costs, primarily through the reduction in electricity use at our corporate offices and headquarters in Woonsocket, RI. With fewer employees working at our offices, we have been able to reduce our spend on lighting, HVAC, and office equipment, e.g., computers, monitors, and printing.

Energy efficiency is a key element in our approach to reducing our emissions company-wide, as energy-related emissions account for 97 percent of our scope 1 and 2 emissions. We are focused on reducing the impacts of energy consumption, including the transitional costs associated with our switch to cleaner energy, in our retail locations and administrative properties. We continue to integrate climate-related risks and opportunities into operations via:

- Size and configuration of our retail locations
- Investments in green building infrastructure and LED lighting and electronic signage
- Investments in efficiencies in transportation and logistics management
- Supplier, customer and colleague engagement programs

As the threats of climate change increase, our enterprise climate resilience will grow in importance. The agility provided by remote work options offer a potential strategic advantage by allowing us to better maintain business continuity during severe climate-related events.

Our mitigation strategy has long included setting aggressive, long term SBTs with respect to carbon reduction, and our current target is to achieve net-zero greenhouse gas emissions across the value chain by 2050.

Investment in research and development: The Company continues to pursue innovative ways to maximize our efficiency and minimize the Company's environmental impact. One way our strategy has been influenced by climate-related risks and opportunities is by highlighting the need for further investments in R&D for mobile refrigeration. The time horizon covered by this process is further than 6 years into the future.

Refrigeration emissions comprise a significant portion of the Company's overall emissions footprint because refrigeration is a critical aspect of our operations as a prescription drug provider. In the short term, refrigeration-related emissions have increased due to the distribution and storage of COVID-19 vaccines. Reducing emissions through more efficient refrigeration has become a focus area of the Company's R&D.

Strategy B.2)
How climate-related issues serve as an input to financial planning process
(Source: CDP C3.4)

The potentially most significant risks for the company make it onto the Company's risk register and are prioritized for mitigation through ERR's strategic planning efforts, which include recommendations for financial planning and budget allocation for operational and capital expenditures.

Climate-related risks and opportunities have influenced financial planning at the Company through operational expenditures related to both direct and indirect costs as well as capital expenditures. Direct costs relate to energy, personnel, and technology, and indirect costs relate to ESG strategy development, communications and assurance.

Indirect costs include consultation with third party experts to further develop our climate-related reporting, strategy, assessment and accounting processes, as well as with an independent verification firm to verify our carbon footprint calculations.

In terms of capital expenditures, sustainable building operations that reduce emissions and are critical to meeting our net zero target, SBT and forthcoming targets related to our ESG strategy.

Financial planning is consistently required as we improve our processes in the near-, medium- and long-term. We prioritize risks based on the importance of the issue to the business, stakeholders, and the potential financial impact on the Company. Other major considerations include number of assets, colleagues and customers potentially affected.

Strategy B.3)
Impact on financial planning
(Source: CDP C3.4)

Operating costs and revenues: In terms of direct costs, the need for more renewable energy and technology to enhance our oversight of material CSR issues influences budgeting decisions. To this end, we implemented a new energy management tracking platform as well as rolling out our renewable energy strategy. In terms of indirect costs, we budget to contract with third-party experts to further develop our climate-related reporting, strategy, assessment and carbon accounting processes, as well as with an independent verification firm to assure our carbon footprint calculations.

Capital expenditures and capital allocation: In terms of capital expenditures, sustainable building operations are considered in our corporate financial planning processes, such as building energy management systems and LED lighting retrofits undertaken during the reporting period. Capital expenditures like these that reduce our overall emissions footprint are critical to meeting our net-zero GHG emissions targets, and our near-term and long-term GHG reduction targets, as well as forthcoming targets from our Transform Health 2030 initiative.

Acquisitions or divestments: To date, climate-related issues have not impacted financial planning relative to this category.

Access to capital: To date, climate-related issues have not impacted financial planning relative to this category.

Strategy C)
Resilience of the organization's strategy

Strategy C.1) Where strategies may be affected by climate-related risks and opportunities
(Source: CDP C2.2a, 2.4a, 3.2a, C3.3)

We have a better understanding of short-, medium- and long-term risks associated with climate-related physical and transitional risks from our annual climate-related scenario analysis and have adjusted our business strategies accordingly. We use the findings of our annual scenario analysis across many business units including Store Merchandising, Corporate Security and Resiliency, Enterprise Risk Management, and Corporate Social Responsibility. The following strategies may be affected by climate-related risks and opportunities.

Business Continuity Strategy: As a diversified health services company, we understand that a major disruption in our business can have serious implications for customers and patients who rely on us for their health care needs. Our strategy has been influenced by climate-related risks informing the increased importance to tracking and monitoring severe weather events in real-time, to maintain business continuity. To better manage climate-related risks we have invested in our CS&R program, and particularly in the Enterprise Risk Event Monitoring situational risk visualization system. Our CS&R team continues to enhance our business continuity plans to reflect our scenario analysis findings and use real-time monitoring and response capabilities during severe weather events. Climate-related acute physical risks to our stores locations across the U.S. from increased frequency and severity of weather events

including **hurricanes, floods and fires** that may result in temporary or permanent closures, have been identified through scenario analysis.

Further, these weather-related risks could have a broader impact on the Company's overall reputation as they could potentially jeopardize our ability to reliably deliver medications and health care services to our customers. To enhance resilience, we expect business continuity efforts to remain a focus area in the future.

Risk Mitigation Strategy: Our primary response to climate-related physical risks that may cause asset impairment, decreased asset value or asset useful life, leading to write-offs and early retirement of existing high value, strategic assets, as well as clusters of retail locations, is to secure adequate insurance coverage for the entire enterprise, namely our headquarters, distribution centers, specialty pharmacy, mail and retail locations, with a reasonable deductible per occurrence. Our CSR team uses scenario analysis findings to inform our climate-related goals, targets, and strategy, including our net zero target and SBT, ensuring we can provide WASH (Water, Sanitation, and Hygiene) services to our employees in water-scarce sites, and mitigating reputational risks by being dependable corporate water stewards. To enhance resilience, we expect risk mitigation efforts to remain a focus area in the future.

Smart Consumption Strategy: During the reporting period we pursued enterprise modernization to diversify our operating inputs for increased climate resilience. This opportunity, the roll-out of which was accelerated due to the COVID-19 pandemic, yielded reduced operating costs, primarily through the reduction in electricity use at our corporate offices and headquarters in Woonsocket, RI. We expect that with fewer employees working at our offices, we will be able to reduce our spend on lighting, HVAC, and office equipment, e.g., computers, monitors, and printing. Our strategy to realize this opportunity is to enhance our work from home capabilities via changing work-from-home policies, while maintaining video conferencing and document sharing infrastructure. Enterprise modernization has been an ongoing priority at the Company, and we expect climate-related risks and opportunities to affect this strategy in the future.

Retailing Strategy: Our store merchandising team uses the findings from scenario analysis to better merchandise at-risk sites with emergency preparedness items. Our primary strategy to realize the opportunity to increase revenues from sales of wildfire-related emergency preparedness items is to ensure that stores in states where wildfires are prevalent, maintain sufficient stock of the items in wildfire emergency-preparedness kit bundle. Further, in-store marketing and merchandizing opportunities to sell these products in bundles are under consideration. Our existing marketing budget allows for specialty marketing and merchandising campaigns like those that will highlight these products. We expect climate-related risks and opportunities to affect this strategy in the future.

Strategy C.2)
How strategies might change to address potential risks and opportunities
(Source: CDP C3.2)

Our standard operating procedures also includes continual improvement of business continuity plans. Increasingly, climate-related scenario analyses inform our due diligence to understand and mitigate these risks and enhance our CS&R programs. Both qualitative and quantitative climate-related scenario analyses are used to inform strategy. Over time, we plan to engage additional business units where appropriate to broaden the areas where climate-related scenario analyses inform strategy.

Strategy C.3)
Climate-related scenarios and associated time horizons considered
(Source: CDP C3.2. C3.2a, W3.3)

We are developing our methods and capabilities for scenario analysis to include additional transitional risks and undertook a more robust assessment of acute and chronic physical risks during the reporting period, including hurricanes, floods, and wildfires. The scenario analysis considered physical risks to sites we own or control. Further, Company-wide risks, such as reputational risks, are considered in qualitative ways.

To evaluate current and future climate-related risks, hazards and vulnerability (e.g., sites with the highest likelihood of a severe hurricane, flood or fire), we use datasets from NOAA, the U.S. Geological Survey (USGS), and the U.S. Forest Service. Additionally, the WRI (World Resources Institute) Aqueduct tool is used to identify sites located in areas with potential for riverine, coastal flooding, water stress, drought risk, groundwater table decline, and interannual and seasonal variability.

The RCP 2.6 and 4.5 scenarios were selected to analyze how climate change may affect the likelihood of physical risk to our sites, as well as the cumulative effects of concurrent severe events occurring in different parts of the U.S. in the future. In particular, we are examining changes in extreme heat and precipitation. Time horizons of approximately 5, 10, 20, and 30 years are considered – up to 2050.

RISK MANAGEMENT

Risk Management A)
Processes for identifying and assessing climate-related risks

Risk Management A.1)
Risk types considered in climate-related risk assessments
(Source: CDP C2.2a)

Climate-related risks are included in our multi-disciplinary company-wide risk identification, assessment, and management process. We consider climate-related physical risks, technology, market, legal and reputational risks, as well as current and emerging regulation, in direct operations and in our supply chain.

Current regulation: We evaluate and monitor risks from current legislation from a business risk/impact perspective in conjunction with our multi- disciplinary Company-wide risk identification, assessment, and management processes. Risk of increased compliance cost with California AB 32 was evaluated in 2020. We have a significant presence in California and are therefore considering the implications of California AB 32. In particular, the 2020 reduction target for carbon intensity of transportation fuels used in California is relevant to us given that we operate our own fleet of vehicles.

Emerging regulation: Risks relating to emerging federal and state regulations around climate related risk reporting for financial services businesses were considered as part of our risk assessments during the reporting year. Potential risks relating to emerging regulations around plastic bag bans are also considered. Climate-related risks from emerging regulations are evaluated in conjunction with our multi-

disciplinary company-wide risk identification, assessment, and management processes.

Technology: Climate-related technology risks are considered in conjunction with our multi-disciplinary Company-wide risk identification, assessment, and management processes. In 2020 and 2021, we evaluated technology disruptions and potential losses in retail locations, critical infrastructure and in our supply chain due to floods, hurricanes and similar climate-related events. We also consider how technologies such as emergency refrigeration of drugs, mobile clean rooms, and generators help mitigate risks in severe weather. Financially, we are at risk of physical damage to our facilities, lost inventory from power outages and lost business from being closed in the wake of a natural disaster.

Legal: Climate-related legal risks are considered in conjunction with our multi-disciplinary company-wide risk identification, assessment, and management processes. Specific climate-related legal risks evaluated include looting, harm to employees, and shareholder concerns in the wake of climate-related extreme weather events. These risks were evaluated and monitored from a business risk/impact perspective in 2020 and 2021. We mitigate these risks through our CS&R program, which encompasses our Business Continuity program. There are legal risks associated with new compliance schemes which we are working to mitigate by ensuring compliance prior to those schemes taking effect, as we have done with respect to the plastic bag ban in California which we addressed one year prior to the effective date.

Market: Climate-related market risks are evaluated in conjunction with our multi-disciplinary company-wide risk identification, assessment, and management processes. Specific climate-related market risks evaluated include potential increases in electricity and fuel prices. These risks were evaluated and monitored from a business risk/impact perspective. We require a significant amount of electricity to operate our retail locations, offices, data centers, warehouses and distribution centers, as well as fuel for our vehicle fleet. A sharp increase in prices could impact our profitability negatively. Transitioning to a low-carbon economy has inherent risks as well including being dependent on fossil fuels as this transition takes place. Inevitably, this will lead to increased costs for fossil fuel generation as economies of scale continue to drive the cost of renewable technologies down. We are mitigating that by including a mix of renewables as part of our reassessment of energy procurement options. By ensuring that we have a diverse fuel mix we can support the transition with greater ease, while still having the option to change the source of our energy supply. We continue to evaluate opportunities to include renewable energy into our energy mix. Ultimately, energy independence would be the ideal goal to ensure that operations are able to continue unhindered.

Reputation: Climate-related reputational risks are evaluated in conjunction with our multi-disciplinary company-wide risk identification, assessment, and management processes. As a diversified health services company, we understand that a major disruption in our business can have serious implications for patients who rely on us for prescriptions and other health care needs. Reputational risks exist on blue sky days as well as during extreme climate-related events. Our CS&R team utilizes a risk assessment tool to continually monitor social media and other open information sources to analyze and assess reputational risk to the enterprise.

Reputational risk is considered in strategic and financial planning and risk assessments are part of our day-to-day monitoring. CS&R works to evolve and update monitoring processes and procedures to protect our colleagues, patients and physical assets as well as to continue to deliver important products and services. Through our commitment to achieve net-zero greenhouse gas emissions across our value chain by 2050, we aim to strengthen our reputation as a leader on climate issues.

Acute physical: Specific climate-related acute physical risks evaluated in 2020 and 2021 focused on hurricane-induced flooding and wildfires. Actual impacts from Hurricane Isaias, Eta, Zeta, Sally, Laura, Delta, and Hanna were analyzed. Additionally, wildfires in California and throughout the United States were evaluated and monitored from a business risk/impact perspective through our CS&R program throughout the year. CS&R closely monitors the risk to the business, colleagues and operations affected by these events.

Chronic physical: Climate related chronic physical risks are evaluated in conjunction with our multi-disciplinary company-wide risk identification, assessment, and management processes. Specific climate-related chronic physical risks evaluated in 2021 included flooding of retail assets or extreme heat leading to permanent or long-term site closures. For example, in 2021 in California, periods of sustained extreme heat forced utility companies to turn off power to some customers to mitigate the risk of wildfire, which impacted operations at nearby stores. These types of chronic physical risks are evaluated and monitored from a business risk/impact perspective through our CS&R program.

Acute climate-related physical risks are monitored biannually, or more frequently, including daily during hurricane and wildfire season. Medium- and long-term chronic physical risks and transition risks are monitored annually or less frequently.

Risk Management A.2)
Processes for assessing the potential size and scope of identified climate related risks
(Source: CDP C2.2)

The process for identifying and assessing the potential size and scope of risks is assigned to leaders of our business units. Our ESG department and third-party experts support and validate the quantification process. The process includes qualitative and quantitative analysis to assess the potential size and scope of identified risks based on the criticality, timeliness and relevance of the issue to the Company's assets, operations and colleagues. Among other factors, property value and maximum foreseeable loss, maximum probable loss, potential number of short- or long-term site closures, colleagues that could be impacted, as well as potential impacts on revenue, operating costs, and physical assets are assessed. Risks that may have a substantive financial impact are presented to the Enterprise Risk Committee, to further assess the potential size and scope of risk to the overall enterprise.

Risk Management A.3)
Definitions of risk terminology used

We use the following risk management terminology to classify risks:
1. Remote (We should not anticipate this to occur),
2. Unlikely (Probability of occurrence is highly unlikely),
3. Possible (Potential of an occurrence is reasonably assumed),
4. Likely (Probability of occurrence is likely).

Risk Management
B) Processes for managing climate-related risks

Risk Management
B.1) Processes for managing climate-related risks, including how they make decisions to mitigate,

transfer, accept, or control those risks
(Source: CDP C2.2)

The Company's primary approach to climate-related risks is based on risk mitigation. The following is a description of our processes for managing climate-related risks including how decisions are made regarding risk mitigation.

The potentially most significant risks for the Company are prioritized for mitigation through a combined effort between ERM and CS&R's strategic planning efforts. We have enterprise-wide risk mitigation protocols for climate-related physical risks from extreme weather, including with critical vendors and suppliers. During active situations, risks and threats are tracked in real time by our Enterprise Risk Event Monitoring visualization system.

Risk Management B.2)
Processes for prioritizing climate-related risks (including how materiality determinations are made within their organizations)
(Source: CDP C2.1b, C2.2)

We prioritize risk mitigation efforts based on the importance of the issue to the business, stakeholders and the potential financial impact on the Company. Other major considerations include number of assets, colleagues and customers potentially affected.

Risk Management B.3)
Processes for managing climate-related risks
(Source: CDP C2.2)

Physical risks: The potentially most significant risks for the Company are prioritized for mitigation through CS&R's strategic planning efforts. We have enterprise-wide risk mitigation protocols for physical climate-related risks from extreme weather, including with critical vendors and suppliers. During active situations, risks and threats are tracked in real time by our Enterprise Risk Event Monitoring visualization system. Through business continuity measures, our resources are quickly shifted to alternative hubs to reduce the risk and impact of business interruptions and manage climate-related physical risks.

Transition risks: At this time, we have not identified transition risks that meet the threshold for substantive impact.

Risk Management C.1)
Processes for identifying, assessing, and managing climate-related risks are integrated into overall risk management
(Source: CDP C2.2)

Our CS&R program regularly evaluates risks to our operational footprint, including our physical assets and colleagues, as well as risks within our supply chain. We prioritize mitigation efforts based on the importance of the issue to the business, stakeholders, and the potential financial impact on the Company. Other major considerations include number of assets, colleagues and customers potentially affected.

We have enterprise-wide risk mitigation protocols for climate-related physical risks from extreme

weather, including with critical vendors and suppliers. During active situations, risks and threats are tracked in real-time by our Enterprise Risk Event Monitoring visualization system. Our 24/7 Operations Center also monitors threats and risk events, allowing us to coordinate our response and support our colleagues and field leaders through our emergency hotline. The Emergency Notification Systems solution called CVSAlert deployed by CS&R sends emergency messaging to impacted colleagues during significant events. A component of our situation reports - Community Lifeline - provides clarity around the status of fundamental services, such as power and water, during a risk event.

METRICS AND TARGETS

Metrics and Targets A)
Metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process

Metrics and Targets A.1)
Key metrics used to measure and manage climate related risks and opportunities
(Source: TCFD 2019)

Risks
In order to measure and manage risk of write-offs and early retirement of existing assets (e.g., damage to property and assets in "high-risk" locations) the following metrics are tracked:

- Number and proportion of high-risk sites (critical infrastructure and retail sites) with exposure to hurricanes, flooding and forest fires: 358; 4% of total US locations
- Proportion of square footage of high-risk sites ((critical infrastructure and retail sites) with exposure to hurricanes, flooding and forest fires: 5% of total US square footage
- Estimated aggregate maximum probable loss (MPL) value for at-risk sites in the highest risk clusters before insurance (inherent risk):
    - Hurricane-induced flooding: $106 million (critical infrastructure and retail sites)
    - Wildfires: $48 million (retail sites)

- Estimated aggregate maximum probable loss (MPL) value for at-risk sites in the highest risk clusters mitigated by insurance (residual risk):
    - Hurricane-induced flooding: $46 million
    - Wildfires: $40 million
- Dollar value of lost inventory
- Days of temporary closures
- Number of permanent closures

In order to measure and manage risk of reduced revenue from decreased production capacity (e.g., delayed planning approvals, supply chain interruptions) the following metric is tracked:

- Percentage spend with suppliers that report on their own SBTs for, at a minimum, their Scope 1 & 2 emissions.

Opportunities
To measure and manage the opportunity of increased revenue through new solutions to adaptation needs the following metric is tracked:

- Estimated potential sales revenue from wildfire emergency preparedness kits for wildfires: $50

million and $200 million

In order to measure and manage the opportunity of resource substitutes/diversification the following metric is tracked:

- Reduced operating costs through Smart Consumption efforts (e.g., through efficiency gains and cost reductions): $7.25 million

Metrics and Targets A.2)
Metrics on climate-related risks associated with water, energy, and land use
(Source: CDP C2.2a, W3.2d, W4.2, F6.3)

Water
To evaluate our exposure to water-related risks we track:

- Number of critical infrastructure sites with high risk of severe hurricanes or flooding: 8
- Number of retail sites with high risk of severe hurricanes or flooding: 164
- Volume of water consumed: 5,612 thousand cubic meters
- % of total water withdrawn from sites located in areas of water stress and drought risk: 52%

Energy
To evaluate our exposure to energy-related risks we track:

- Total energy consumption
- % Renewable electricity: 0.25%
- % Grid electricity: 99.75%
- Cost per kWh, Rate of change

Land use
To evaluate our exposure to risks related to land use, we prioritize the procurement of sustainable forestry commodities and we track:

- % Store brand suppliers of palm oil that have RSPO or Rainforest Alliance certification: 100%
- % Certified sustainable paper (FSC or SFI) used in operations certifications: 96%

Metrics and Targets A.3)
How related performance metrics are incorporated into remuneration policies
(Source: CDP C1.3a W6.4a F4.3a)

There are several positions within the Company that have climate-related performance metrics incorporated into renumeration policies.

Specifically, our CSO, the management group, managers of our business units, and energy managers have compensation incentives and performance measures tied to annual progress towards our enterprise- wide emissions reduction target. Buyers/purchasers, and risk managers have monetary performance incentives tied to supply chain engagement. Environment and sustainability managers have monetary performance incentives tied to sustainability-related behavior change activities. Leaders and teams that work in business units that by their nature impact the environment, such as logistics,

property administration, construction, environmental management, risk and ESG, are all measured and have compensation, incentives, and performance measures tied to sustainability. Additionally, non-monetary incentives related to climate issues come in the form of recognition in internal and external ESG communications.

Metrics and Targets A.4)
Internal carbon prices
(Source: TCFD 2019)

Currently, an internal price on carbon is not used within the Company. However, we are examining how an internal price on carbon could help accelerate our goals as well as the overall impact on the company as a whole. While we do not currently track revenue from products and services designed for a lower-carbon economy, we continue to reduce the impact of our operations and products in order to advance our purpose.

Metrics and Targets A.5)
Historical data / trend analysis
(Source: CDP C2.3a, C2.4a)

Risks and Opportunities
For non-retail, critical infrastructure sites, residual risk remained the same order of magnitude as previously reported (>$10 million), while the high-end estimate of MPL before insurance (inherent risk) decreased 95% compared to figures reported in our 2019 TCFD disclosure. This decrease was due primarily to changes in methodology including assumptions around the worst-case scenarios for flooding and wildfire damage. Methods for identifying, assessing, quantifying climate-related risks and opportunities are under constant refinement, therefore results are expected to fluctuate year-on-year, thus making trends less reliable. This was the first year we reported on retail locations.

Water
For non-retail, critical infrastructure sites, the number of high-risk sites (flooding, hurricanes) identified decreased from 79% - from 39 to 8 - due primarily to changes in methodology for identification of high-risk sites. This was the first year we reported on retail locations.
Overall, water withdrawals decreased 7% in 2020 compared to 2021 and site-level water consumption per square foot decreased 10 percent in the same period. However, the percentage of total water withdrawn in water stressed regions increased from 26% to 37% in the reporting year.

Energy Use
Total energy use overall decreased by x% in 2021 compared to 2020 and 6% in 2020 compared with 2019. Electricity use has decreased 14% since 2010. In the reporting year, the percentage of renewable energy increased by an order of magnitude, but is still less than one percent. The percentage of grid electricity used remains close to 100%.

Land Use
We achieved our 2020 target for 100% of store brand suppliers of palm oil that have Roundtable on Sustainable Palm Oil (RSPO) and/or Rainforest Alliance (RFA) certification. 100% of existing store brand items also contain sustainably sourced palm oil.

We have a goal to reduce environmental impacts – including paper used - 50% by 2030 over the 2020

baseline. In the reporting year, paper use increased in part due to additional packaging requirements necessitated by the COVID-19 pandemic, as well as an increase is B2C and B2B shipping during the period. By the end of 2021, 96% of the Company's paper consumption by volume was certified sustainable (either FSC-Forest Stewardship Council or SFI-Sustainable Forests Initiative certified).

Metrics and Targets A.6)
Methodologies used to calculate or estimate climate-related metrics
(Source: 2020 CDP C2.3a, C2.4a)

The following methodologies are used to calculate climate-related metrics.

Risks
Hurricane-induced Flooding
Total insured value (TIV) of a site is the combination the value of the building itself and its contents, inventory, technology, fixtures, leasehold improvements, as well as business interruption. The worst-case scenario assumes a maximum probable loss (MPL) based on asset impairment from 2-foot flooding according to the United States Army Corp of Engineers (USACE) 'Commercial Depth Damage Factors Table' of TIV. Potential, aggregate loss is calculated by totaling the individual calculated potential losses for a geographic cluster that is likely to be affected by the hazard concurrently.

Wildfire
Total insured value (TIV) of a site is the combination the value of the building itself and its contents, inventory, technology, fixtures, leasehold improvements, as well as business interruption. Value at risk for each site is calculated in two ways. The worst-case scenario assumes a maximum probable loss (MPL) based on asset impairment to TIV, calculated according to observed damage factors for inventory, fixtures, technology and leasehold improvements from wildfire in the 2020 year. Potential, aggregate loss is calculated by totaling the individual calculated potential losses for a geographic cluster that is likely to be affected by the hazard concurrently.

Opportunities
Wildfire
Based on a survey of CA residents affected by this climate-related hazard, a representative bundle of wildfire-related emergency-preparedness items were compiled, and an estimated price for the bundle of items was established. The minimum figure assumes that 6% of CA households purchase this sample bundle at CVS stores across the state at least once. The maximum figure assumes that 20% of California households purchased this sample bundle at CVS stores across the state at least once.

Smart Consumption
Opportunities to reduce direct and indirect costs in our direct operations are calculated based on observed cost reductions and projected savings based on our Smart Consumption plans. During the COVID Pandemic, our corporate offices operated at 15% capacity. A year-on-year comparison of 2019 vs 2020 electricity spend in corporate offices revealed a correlation between energy spend and occupancy. Electricity spend reduced at a rate of approximately $10 million per an 85% reduction in occupancy. As part of our Smart Consumption plan, we plan to reopen offices at reduced capacity offering flexible working arrangement with two to three days in office and two to three days remote (40-60% reduction in occupancy), which we estimate will result in a savings of $7.25 million.

Metrics and Targets B)
Scope 1, Scope 2, and, Scope 3 greenhouse gas (GHG) emissions, and related risks

Metrics and Targets B.1)
Scope 1, Scope 2, and, Scope 3 greenhouse gas (GHG) emissions, and the related risks
(Source: CDP C2.2a, C6.1, C6.3, C6.5)

GHG Emissions
For the 2021-year Scope 1, Scope 2 and Scope 3 emissions were as follows:
Gross global Scope 1 emissions: 188,180 metric tons CO2e
Gross global Scope 2 location-based emissions: 841,615 metric tons CO2e
Gross global Scope 2 market-based emissions: 875,348 metric tons CO2e

Scope 3 Information is pending calculation from CDP. Expected by the third week of March.
Category 1: Purchased Goods & Services- X,XXX,XXX metric tons CO2e
Category 2: Capital Goods- XXX,XXX metric tons CO2e
Category 3: Fuel-and-energy-related activities (not included in Scope 1 or 2)- XX,XXX metric tons CO2e
Category 5: Waste generated in operations- XX,XXX metric tons CO2e
Category 6: Business Travel- XX,XXX metric tons CO2e
Category 7: Employee Commuting- XX,XXX metric tons CO2e
Category 9: Downstream transportation and distribution- XX,XXX metric tons CO2e

Associated Risks
Market Risks: Specific climate-related market risks evaluated include potential increases in electricity and fuel prices, as well as increased demand for renewable energy. We require a significant amount of electricity to operate our retail locations, offices, data centers, warehouses and distribution centers, as well as to fuel for our vehicle fleet. A sharp increase in prices could impact our profitability negatively.

Policy/ Regulatory Risks: Risks relating to emerging federal and state regulations around climate related risk reporting for financial services businesses were considered as part of our risk assessments during the reporting year. Potential risks relating to emerging regulations around plastic bag bans are also considered. We have a significant presence in California and are therefore considering the implications of California AB 32. In particular, reduction targets for carbon intensity of transportation fuels used in California are relevant to us given that we operate our own fleet of vehicles. By 2022, California state law will also require commercial entities to comply with water-efficient building standards under laws SB 606 and AB 1668.

Technology Risks: We evaluated other technology disruptions and potential losses in our supply chain in the case of floods, hurricanes and similar climate-related events. We also consider how technologies such as emergency refrigeration of drugs, mobile clean rooms, and generators help mitigate risks in severe weather. Financially, we are at risk of physical damage to our facilities, lost inventory from power outages and lost business from being closed in the wake of a natural disaster.

Metrics and Targets B.2)
Historical GHG emissions for trend analysis
(Source: 2020 CSR Report)

During 2020 and 2021, we continued our aggressive emissions reduction measures consistent with our commitment to reach net-zero greenhouse gas emissions across the value chain by 2050.

From 2014 through 2020, we have reduced combined scope 1 and 2 emissions 33.7 percent, achieving our first-generation SBT early.

Between 2019 and 2020, market-based Scope 1 and 2 emissions decreased by 4.3 percent. The reasons for emissions reductions included reduced use of office space due to COVID-19, reduction in air travel, as well as our investment in emissions reduction initiatives, such as building operations (BMS and LED lighting projects). As a result, emissions per dollar revenue decreased by 8.53 percent over this period.

We achieved a 3.92 percent decrease in emissions per retail square foot between 2019 and 2020. Total retail square footage decreased by 0.4 percent, and market-based scope 1 and 2 emissions decreased by 4.3 percent. The reasons for emissions reductions included: reduced use of office space due to COVID-19, reduction in air travel, as well as our investment in emissions reduction initiatives, such as building operations (BMS and LED lighting projects). For a comprehensive summary of our environmental metrics please refer to data tables in our ESG Report.

Metrics and Targets B.3)
Methodologies used to calculate or estimate the metrics
(Source: CDP C5.2)

We use the Climate Registry: General Reporting Protocol, the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition) standards and Corporate Value Chain (Scope 3) Accounting and Reporting Standard to collect activity data and calculate emissions. The operational control boundary method is used to define the reporting boundary for climate-related impacts on our business.

In accordance with the GHG Protocol Scope 2 Guidance, we report both location-based and market-based Scope 2 emissions. An annual process is in place for third party limited assurance of Scope 1, 2 and 3 emissions to the ISO 14064-3 standard. The Scope 3 categories verified are Purchased Goods and Services, Fuel and Energy Related Activities, and Business Travel.

Metrics and Targets C)
Targets used by the organization to manage climate-related risks and opportunities and performance against targets

Metrics and Targets C1)
Targets used by the organization to manage climate- related risks and opportunities and performance against targets
(Source: 2020 CDP C2.3a, C2.4a, C4.1a)

Our goal to achieve net-zero GHG Emissions across the value chain by 2050 has been validated by the Science Based Target Initiative (SBTi). The following targets, set forth in our validated, second-generation SBT aim to keep in line with the 1.5-degree scenario (SBT) trajectory, namely to (1) reduce absolute Scope 1 and 2 market-based emissions 47% by 2030 from a 2019 base year (2) reduce absolute

Scope 1 and 2 emissions 90% by 2050 from a 2019 base year, (3) reduce Scope 3 market-based emissions from purchased goods and services, business travel, and downstream transportation 90% by 2050 from a 2019 base year.

Our goal is to mitigate potential asset impairment due to hurricane-induced flooding and wildfires. We do this through adequate insurance coverage for all Company sites with a reasonable deductible. Risks are currently well mitigated through insurance, resulting in estimated residual risk ranging from $6-48 million.

Our goal is to increase revenue through new solutions to adaptation needs. To achieve this, goal we aim to ensure that stores in geographies susceptible to wildfire, hurricanes and flooding maintain sufficient stock of the items in the emergency-preparedness kit bundles. Further, in-store marketing and merchandising opportunities to sell these products in bundles are under consideration.

Our goal for reducing operating costs is to continue to reduce electricity use at our corporate offices and headquarters in Woonsocket, RI, through Smart Consumption efforts that increase resilience.