CVS Health Corporation and Subsidiaries (the "Company") – 2020 TCFD Disclosure – FINAL

Recommended Disclosure	**Source**	**Disclosure**
Governance A)		**<u>Board's oversight</u> of climate-related risks and opportunities**
Governance A.1) Processes and frequency by which the board is informed about climate-related issues	CDP 2020 C1.1a C1.1b C1.2	Members of the **Nominating and Corporate Governance Committee of our Board of Directors (Nominating and Corporate Governance Committee)** and **Audit Committee of our Board of Directors (Audit Committee)** are informed about climate-related issues twice a year through standing agenda items. **Nominating and Corporate Governance Committee** Pursuant to its charter, this Committee is formally charged with oversight of our Corporate Social Responsibility (CSR) strategy and performance, of which climate change is an important component. Our Chief Sustainability Officer (**CSO)**, who is the SVP of CSR and Philanthropy, informs the **Nominating and Corporate Governance Committee** on CSR, sustainability, climate-related risks and opportunities, as well as updates the Committee on progress towards goals and targets, twice a year, including once a year in conjunction with the Committee's review of the annual CSR report. The Nominating and Corporate Governance Committee provides feedback and direction on the Company's approach to key public policy issues related to CSR and reviews the annual CSR Report before it is released for publication each Spring. During the reporting period, the Board supported management's decision to endeavor upon Enterprise Modernization at the Company, including enhancing the Company's remote working capabilities for increased climate resilience and business continuity. These projects 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 Enterprise Response and Resiliency (ERR) program, under which climate-related risks from severe weather fall. Our Chief Risk Officer (**CRO**), who is the SVP and Treasurer, informs the Audit Committee on climate-related issues as needed, typically twice a year, to support board oversight. Our ERR program focuses on operating a comprehensive risk-based program to protect our colleagues and assets, as well as to ensure business continuity across the enterprise. Governance mechanisms include reviewing and guiding risk management policies for our top risks, corporate policies and business plans. The Audit Committee guides climate-related risk management policies, business plans, and sees that proper processes, controls, and mitigation programs are 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 ERR program. During the reporting period, the Board approved the Audit Committee Charter and confirmed the Audit Committee's purview over risk management, such that the Audit Committee also has oversight of the

		Company's Enterprise Risk Management (ERM) program, in addition to the ERR program.
Governance A.2) Board consideration of climate-related issues	CDP 2020 C1.1a, C1.1b	**Nominating and Corporate Governance Committee** The Nominating and Corporate Governance 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 CSR 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 ERR program. 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	CDP 2020 C1.1a, C1.1b	The Nominating and Corporate Governance Committee monitors progress towards climate-related goals and targets in conjunction with review of the annual CSR report. The Audit Committee monitors progress against climate-related goals and targets through their annual review of the ERR program.
Governance B)		**Management's role in assessing and managing climate-related risks and opportunities**
Governance B.1) Management-level positions assigned climate-related responsibilities	2020 CDP C1.2, C1.2a	The two highest management-level positions with responsibility for assessing and managing climate-related issues at the Company are the CSO and the CRO. **Chief Sustainability Officer (CSO):** Responsibility for our climate change and sustainability strategy is assigned to our CSO, who is the SVP of CSR and Philanthropy, because these areas fall under our CSR strategy. Our CSR strategy is central to the way we advance our purpose of helping people on their path to better health. Our CSO and the CSR team, work with Company leadership to align our CSR strategy with key business imperatives and collaborate with colleagues throughout the Company on specific programs and initiatives. 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 CSR 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 Management Council, a group of senior-level corporate executives representing all major business units of the Company • Serving as the executive sponsor of the GreenTeam colleague resource group focused on engaging colleagues in environmental sustainability/embedding it into the business • Reporting to the Nominating and Governance Committee on climate-related issues as needed, typically twice annually 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 CSR Report and disclosures • Reporting to the Nominating and Governance Committee • Annual climate change strategy and planning updates **Chief Risk Officer (CRO):** Responsibility for our climate-related risks have been assigned to our Chief Risk Officer (CRO), who is the SVP and Treasurer. This position is responsible for all risks on the enterprise level and is therefore assigned responsibility for climate-related risks, including severe weather events. Our CRO heads up the Enterprise Risk Committee. The CRO is responsible for our Enterprise Response & Resiliency (ERR) program, Enterprise Risk Management program, and maintains our Risk Register, which lists the top risks for the Company. Responsibilities of our CRO in **assessing** climate-related issues include: • Working with senior leaders to assess climate-related risks from severe weather • Maintaining our Corporate Risk Register • Reporting to the Audit Committee Our CRO oversees the process for **monitoring** climate-related risks. The process entails: • Annual assessment of our ERR program • Annual assessment of the Risk Register • Regularly reports to the Audit Committee on climate-related issues as needed, and twice annually
Governance B.2) Associated organizational structure(s)	2020 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 CEO.

		The CSR team works with leaders across the enterprise responsible for ensuring our progress against each pillar of our CSR strategy to ensure it remains aligned with business objectives. Managers with direct oversight of areas within our CSR pillars are responsible for driving performance and meeting established performance targets. These managers are regularly engaged by the CSR team to provide progress updates and identify emerging risks and opportunities. **Our CRO** Our CRO oversees the Treasury Department and reports to the EVP and Chief Financial Officer (CFO), who in turn reports to the CEO. Our CRO heads up the Enterprise Risk Committee. The CRO is responsible for our ERR program, Enterprise Risk Management program and maintains our Risk Register, which lists the top risks for the Company. 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	2020 CDP 1.2a	The CSR team works with leaders across the enterprise responsible for ensuring our progress against each pillar of our CSR strategy to ensure it remains aligned with business objectives. Managers with direct oversight of areas within our three CSR pillars are responsible for driving performance and meeting established performance targets. These managers are regularly engaged by the CSR team to provide progress updates and identify emerging risks and opportunities. In this manner the CSO and the CRO are informed about climate-related issues.
Governance B.4) How management monitors climate-related issues.	2020 CDP 1.2a	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 reporting on progress in our CSR Report and disclosures • Reporting to the Nominating and Governance Committee • Annual climate change strategy and planning updates Our CRO oversees the process for **monitoring** climate-related risks. The process entails: • Annual assessment of our ERR program • Semi-annual assessment of the Risk Register • Regularly reports to the Audit Committee
Strategy A)		**Climate-related risks and opportunities identified**
Strategy A.1) Short-, medium-, and long-term time horizons	2020 CDP C2.1a	**Short-term**: Within the next five (5) years. Further, we consider the near-term horizon to be the current timeframe through the next 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	CDP 2020 C2.3a C2.4a 2019 CDP C2.3b	**Description of Short-term Risks** Through scenario analysis, the Company has identified climate-related acute physical risks from hurricanes, flooding, or wildfires potentially having a substantive financial or strategic impact on the business in the **short-term**. Specifically, the identified, inherent risks consists of Category 3, 4 or 5 hurricanes, severe riverine/coastal flooding, or wildfires causing damage that could result in decreased asset value or asset useful life, leading to write-offs, asset impairment or early retirement of existing high value, strategic assets including corporate offices and operation centers, distribution centers, specialty pharmacy, and PBM mail pharmacy locations. The worst-case scenario assumes total asset impairment, which could result in individual losses ranging from $35 million to $2 billion loss of total insured value (TIV) to our direct operations. Risks are currently well mitigated through insurance, resulting in total residual risk ~$7 million. In addition to impacting to our physical assets, acute and chronic climate-related physical risks, may cause temporary or permanent closure of facilities and other sources of 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. **Description of Short-term Opportunities** 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, Florida and North Carolina. Opportunities to reduce direct and indirect costs in our direct operations in the short-term through enterprise modernization and resilience efforts have also been identified. This opportunity will yield 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. 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 weather events, as well as to deliver on our mission to help people on their path to better health. Acting as a one stop shop not our customers' health and their safety, we will be able to further deliver on our Healthy People pillar as part of our Transform Health 2030 mission. **Description of Medium and Long-term Risks and Opportunities** Over the **medium and long-term** as hurricane season is expected to become longer, we expect the number of high-risk locations to increase.

		The likelihood of flooding is measured as the number of large floods reported over a given time period. The number of floods recorded provides a measure of the physical risk and disruption potential directly related to too much water. Over the medium and long-term the likelihood of flooding is expected to increase due to increased frequency of severe weather events. Therefore, we expect the number of high-risk locations to increase over time. Over the medium and long-term, wildfire season is expected to become longer - or even permanent in California– and affect additional areas in the United States. Therefore, we expect the number of high-risk locations to increase. Increased prevalence and severity of wildfires also presents opportunities in the medium and long-term. We expect that enterprise resiliency will become increasingly important in the medium and long-term. However, the financial opportunity may diminish over time.
Strategy A.3) Process(es) used to determine which risks and opportunities could have a material financial impact on the organization.	2020 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 identified risks exceeds the Company's threshold for substantive or strategic impact, they make their way onto the Corporate Risk Register. These top risks receive Board oversight. For the purposes of assessing climate risk for the CDP survey, what constitutes a substantive impact can depend on several factors. In the context of climate-related issues and this disclosure, a substantive impact can be defined as a measurable financial impact that may be on the order of 50 or more basis points of our Company's annual net income, further evaluated against tempering factors. These factors may include 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. **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, e.g., energy efficiency opportunities are primarily identified and assessed in terms of their potential to reduce emissions in line with our 2030 Science Based Targets (SBT). 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	2020 C2.3a, C2.4a	**Risks by Geography** High risk clusters for hurricanes were identified in Rhode Island and Florida. 18 sites identified with inherent risk of climate-related, acute physical risks from hurricanes potentially having a substantive financial or strategic impact on the business in the short-term. At each of these

		locations, the likelihood of Category 3, 4 or 5 hurricanes, with winds exceeding 111 mph, is 21-34%. High risk clusters for flooding were identified in California, Florida, Louisiana, Maine, South Carolina, and Texas. 25 sites identified with <u>inherent</u> risk of climate-related, acute physical risks from flooding <u>potentially</u> having a substantive financial or strategic impact on the business in the short-term. At each of these locations, the likelihood of a severe riverine flooding event occurring is currently 0.6%-1%, and coastal flooding 0.03%- 0.2%. Nine sites identified in Arizona, California, Florida, and North Carolina with <u>inherent</u> risk of climate-related, acute physical risks from wildfires <u>potentially</u> having a substantive financial or strategic impact on the business in the short-term. At each of these locations, the likelihood of a of very high to high severity wildfire occurring is currently 13-18%. Risks were analyzed in California only. 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. **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. As our annual scenario analysis revealed that these conditions are similarly increasing in Arizona, Florida and North Carolina, we expect the same trend to occur in these states. Opportunities relating to our Enterprise Modernization and ERR 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	2020 CDP C2.2a C3.1d C3.1e	Climate-related issues have influenced our business and strategy in the areas of products and services, supply chain, adaptation and mitigation activities, investment in research and development and, in our operations. **Products and services**: Climate-related risks and opportunities have influenced our strategy relating to products and services. As a provider of prescription medication and retail health services, 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 ERR programs program, and particularly in 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 ERR help us adapt to a changing climate and maintain business continuity through severe weather 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 depends on. Our strategy has been influenced by adopting the CVS Store Brand Restricted Substances Policy and Sustainable Palm Oil Policy. The Company prioritized sustainable palm oil as an area of concern for our store brand products. Our stakeholders, including suppliers, consumers, and NGOs, increasingly recognize the climate change 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 CVS store brand products that contain palm oil, shifting to the use of certified sustainable palm oil. To advance our commitment to our CVS Store Brand Restricted Substances Policy and management of these within our products. The CVS Store Brands unit is working with suppliers to implement a sustainable palm oil policy and source palm oil sustainably in our Store Brand products. At the end of 2019, 100 percent of the suppliers of our Store Brand products were certified by the RSPO and/or Rainforest Alliance. Our store brand products carry the Rainforest Alliance and/or RSPO seals of approval. 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. **Adaptation and mitigation activities:** Our Enterprise Modernization strategy is designed to diversify our operating inputs for increased climate resilience. This opportunity will yield 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. As the threats of climate change are realized, our enterprise climate resilience will be increasingly important. The agility that work-from-home and remote work provide allows us to better maintain business continuity during severe weather events which may offer a strategic advantage. Our mitigation strategy is to set aggressive, science-based, long-term carbon reduction targets. We recognize that climate change is tied to global health concerns and thus the need to manage our emissions in recognition of our role as a responsible corporate citizen dedicated to improving people's health.

		Investment in research and development: The Company continues to pursue innovative ways to maximize our efficiency and minimize the Company's environmental impact. Our strategy has been influenced by climate-related risks and opportunities 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, but refrigeration is a critical aspect of our operations as a prescription drug provider. Efficient refrigeration became a focus area of the Company's R&D during the reporting period. The Company is also testing solar panels on store delivery trailers to charge lift gates instead of using refrigerated units. Both initiatives reduced the consumption of diesel fuel and refrigerants which reduces our greenhouse gas (GHG) emissions in line with our corporate strategy. **Operations:** Our strategy has been influenced by climate-related risks by putting an increased focus on energy efficiency in our operations. Energy efficiency is a key element in our approach to reducing our emissions, 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 our emissions and the increased transitional costs associated with our switch to cleaner energy, in our retail locations and administrative properties. The Company continues to integrate climate-related risks and opportunities into its operations via: • Size and configuration of our stores • 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
Strategy B.2) How climate-related issues serve as an input to their financial planning process	2020 CDP C2.2	The top 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 related to direct costs, indirect costs, and capital expenditures during the reporting period. In terms of direct costs, the need for personnel dedicated to CSR as well as the opportunity to leverage technology to enhance our oversight of material CSR issues influences budgeting decisions. To this end, we have added staff to our CSR team including a Senior Manager of Sustainability Analytics and implemented an energy management tracking platform (Engie). In terms of indirect costs, we budget to contract with agency partners 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. In terms of capital expenditures, sustainable building operations are considered in our corporate financial planning processes, such as LED lighting retrofits and solar PV (photovoltaic) array installations undertook during the reporting period. Capital expenditures like these that reduce our overall emissions footprint are critical to meeting our SBT as well as forthcoming targets from our Transform Health 2030 initiative.

		The time horizon for financial planning is in line with our definition for short-term horizon. 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	2020 CDP C3.1e	Climate-related risks and opportunities have influenced financial planning at the Company related to direct costs, indirect costs, and capital expenditures during the reporting period. **Operating costs and revenues**: In terms of direct costs, the need for personnel dedicated to CSR as well as the opportunity to leverage technology to enhance our oversight of material CSR issues influences budgeting decisions. To this end, we have added staff to our CSR team, including a Senior Manager of Sustainability Analytics, and implemented an energy management tracking platform (Engie). In terms of indirect costs, we budget to contract with agency partners 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 LED lighting retrofits and solar PV (photovoltaic) array installations undertook during the reporting period. Capital expenditures like these that reduce our overall emissions footprint are critical to meeting our SBT 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. 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.
Strategy C)		**Resilience of the organization's strategy**
Strategy C.1) Where strategies may be affected by climate-related risks and opportunities	CDP 2020 C3.1b C3.1d C2.2a	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 leverage the findings of our annual scenario analysis across many business units including Store Merchandising, Enterprise Response 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 provider of prescription medication and retail health services, 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 ERR program, and particularly in the Enterprise Risk Event Monitoring situational risk visualization system. Our ERR 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 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, such as 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. **Enterprise Modernization Strategy**: During the reporting period the Company endeavored upon enterprise modernization to diversify our operating inputs for increased climate resilience. This opportunity will yield 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	2020 CDP C3.1a	Our standard operating procedures also includes continual improvement of business continuity plans. Increasingly, climate-related scenario analysis informs our due diligence to understand and mitigate these risks and enhance our ERR programs. Both qualitative and quantitative climate-related scenario analysis are used to inform strategy. Over time, we plan to engage additional business units where appropriate to broaden the areas where climate-related scenario analysis informs strategy.
Strategy C.3) Climate-related scenarios and associated time horizon(s) considered.	2020 CDP C3.1b	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. We are developing our methods and capabilities for scenario analysis to include additional transitional risks and undertook more robust assessment of acute and chronic physical risks during the reporting period including hurricanes, floods, and wildfires. The 12-year time horizon between 2018 through 2030 is the timeframe considered. The scenario analysis considered physical risk to sites we own or control. Further, Company-wide risks, such as reputational risks are considered in qualitative ways.
Risk Management A)		**Processes for identifying and assessing climate-related risks**
Risk Management A.1) Risk types considered in climate-related risk assessments	2020 CDP C2.2, 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 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 2019. 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**: Climate-related risks from emerging regulations are evaluated in conjunction with our multi-disciplinary company-wide risk identification, assessment, and management processes. By 2022, California state law will also require commercial residents to comply with water efficiency building standards under laws SB 606 and AB 1668. The Company recognizes the linkages between climate change and water availability, so these considerations are included in our climate risk assessments. Further, the Company has established enterprise guidelines around the development of new properties including water efficiency, and always builds to meet current environmental regulation, these risks are relevant to us.

		Technology: Climate-related technology risks are considered in conjunction with our multi-disciplinary Company-wide risk identification, assessment, and management processes. We evaluated risks related to a cyber/data breach incident in 2019 and believe these risks would pose one of the greatest threats to our business as they could impact technology infrastructure, security and would impede our ability to operate the systems that support our enterprise. Our Cyber Breach Response Plan addresses the IT infrastructure disruption and impact to data center facilities caused by a cyber event. Additionally, 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. **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. We mitigate these risks through our ERR 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 in advance and prior to those schemes taking effect. An example would be the plastic bag ban in place in California which we addressed one year ahead of the mandated time. **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 ensuring that we reassess our energy procurement options to include a mix of renewables. 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 provider of prescription medications and retail health services, 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. The potential for impact to reputational risk can occur both during blue sky days as well as a result of a larger weather event or other incident. Our ERR team utilizes a risk assessment tool to continually monitor social media and other open information sources to analyze and assess risk to the enterprise. Reputational risk is always a consideration in planning and included in our risk assessments and are a constant factor in our day to day monitoring. ERR works to evolve and update monitoring processes and procedures to protect our colleagues, patients and physical assets as well as continue to deliver important products and services across our enterprise. **Acute physical**: Climate related acute physical risks are evaluated in conjunction with our multi-disciplinary company-wide risk identification, assessment, and management processes. Specific climate-related acute physical risks evaluated in 2019 include risks/impacts from Hurricane Dorian. Additionally, California wildfires were evaluated and monitored from a business risk/impact perspective through our ERR program throughout the year. ERR closely monitored 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 2019 included flooding of retail assets or extreme heat leading to permanent or long-term site closures. For example, in the 2019 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 ERR program. Acute climate-related physical risks are monitored six-monthly, 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) <u>Processes for assessing</u> the potential <u>size and scope</u> of identified climate related risks	2020 CDP C2.2	The process for identifying and assessing the potential size and scope of risks is assigned to leaders of our business units. 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, the potential number of short- or long-term site closures, colleagues that could be impacted, and 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 <u>risk</u> <u>terminology</u> 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 <u>managing</u> 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.	2020 CDP C2.2 C2.3a	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 top risks for the Company make it on to the Risk Register and are prioritized for mitigation through a combined effort between ERM and ERR'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.
Risk Management B.2) Processes for prioritizing climate-related risks (including how materiality determinations are made within their organizations)	CDP 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. For the purposes of assessing climate risk for the CDP survey, what constitutes a substantive impact, can depend on several factors. In the context of climate-related issues and this disclosure, a substantive impact can be defined as a measurable financial impact that may be on the order of 50 or more basis points of our company's annual net income, further evaluated against tempering factors. These factors may include 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.
Risk Management B.3) Processes for managing climate-related risks		**Physical risks**: The top risks for the Company make it on to the Risk Register and are prioritized for mitigation through ERR'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)		**Processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management**
Risk Management C.1) Processes for identifying, assessing, and managing climate-related risks are	CDP 2020 C2.2	Climate-related risks are included in our multi-disciplinary Company-wide risk identification, assessment, and management process. The top risks for the Company make it onto the Company's Risk Register and are prioritized for mitigation through ERR & ERM's strategic planning efforts and Board oversight.

integrated into overall risk management		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. Our ERR program regularly evaluates the risks at play in our operational footprint, including our physical assets and risks for our colleagues, as well as risks within our supply chain. The Emergency Notification Systems solution called CVSAlert deployed by ERR sends emergency messaging to impacted colleagues during significant events. We identified an opportunity to engage our colleagues utilizing this platform to further our ability to provide situational awareness during severe weather-related events. 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. During the reporting period, ERR incorporated a new component into our situation reports: "Community Lifeline". Community Lifeline provides clarity around the status of fundamental services, such as power and water, during a risk event.
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 <u>metrics</u> used to <u>measure and manage</u> climate related risks and opportunities	New	**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 of high value sites in climate risk regions • Total Insured Value (TIV) of sites at risk sites • Critical infrastructure sites with exposure to forest fires, as well as all sites located in states known to have high risk to forest fires • 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 of our suppliers that report on their own science-based targets for, at a minimum, their Scope 1 & 2 emissions **Opportunities** In order to measure and manage the opportunity of increased revenue through new solutions to adaptation needs the following metric is tracked: • Sales from wildfire emergency preparedness kits for wildfires In order to measure and manage the opportunity of resource substitutes/diversification the following metric is tracked: • Reduced operating costs through enterprise modernization efforts (e.g., through efficiency gains and cost reductions)

Metrics and Targets A.2) Metrics on climate-related risks associated with water, energy, and land use	CDP 2020 C2.2a W3.3d W4.2 F3.1c F6.3	**Water**: Our annual process for climate-related scenario analysis yields several metrics that enable us to evaluate our exposure to climate and water-related risks. Specifically, we track: • Operations located in areas of water stress and drought risk • Operations located in areas with potential for riverine and coastal flooding, storm surge, or Hurricane Categories 3, 4 and 5 • Groundwater table decline, interannual and seasonal variability at all Operations • Site level water consumption accounting in areas facing detrimental water-related impacts • Critical infrastructure with high risk of severe hurricanes and wildfires, as well as all sites in states with known exposure to these risks **Energy:** We track the Company's use of clean energy instruments and renewable energy generation and continue to reassess our energy procurement options to include a mix of renewables. 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 by exposure to energy-related risks. **Land use**: In order to track our exposure to risks related to land use, we prioritize the procurement of sustainable forestry commodities and use several metrics to track that. To begin, we track store brand suppliers of palm oil that have RSPO or RFA certification as the standards for these organizations allow us to mitigate risks from palm oil supply chains. We are proud to report that 100% of store brand suppliers have one or both certifications. At the end of 2019, we attained early our 2020 goal of 100% of our store brand suppliers to become members of RSPO or Rainforest Alliance certificated. In addition, 99% of existing store brand items containing palm oil are coming from sustainably sourced palm oil via RSPO or Rainforest Alliance. The supplier of the remaining 1% of existing store brand items containing palm oil completed their RSPO audit in early 2020. We screen products for palm oil with WERCSmart and PurView, our supply chain compliance tools. Secondly, we track paper procured with FSC or SFI certifications, as the standards for these organizations allow us to mitigate risks from forestry commodities supply chains. By the end of 2019, 96% of the Company's paper consumption by volume was FSC or SFI certified.
Metrics and Targets A.3) How related performance metrics are incorporated into remuneration policies.	2020 CDP C1.3a W6.4a F4.3a	There are several positions within the Company that have climate-related performance metrics incorporated into renumeration policies. Our CSO has compensation incentives and performance measures tied to annual progress towards our enterprise-wide emissions reduction target. Additionally, non-monetary incentives related to climate issues come in the form of recognition in internal and external CSR communications. 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 CSR, are all measured and have compensation, incentives, and performance measures tied to sustainability. 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/Sustainability managers have monetary performance incentives tied to sustainability-related behavior change activities.
Metrics and Targets A.4) Internal carbon prices	New	Currently, an internal price on carbon is not used within the Company. 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 of helping people on their path to better health.
Metrics and Targets A.5) Historical data / trend analysis	2019 CDP C4.1a, C6.10	During 2019, we continued our aggressive emissions reduction measures in order to meet the science-based target we set forth in 2017 to reduce our combined Scope 1 and 2 market-based emissions 36 percent by 2030 over the 2010 baseline and we achieved it. Between 2018 and 2019, market-based Scope 1 and 2 emissions decreased by 6 percent, and our net revenues increased by 32 percent. Increases in net revenues were due to our late 2018 acquisition of Aetna and several growth drivers, including increasing enterprise share of prescriptions through our many business channels. The primary reason for emissions reduction is our investment in emissions reduction initiatives, such as building operations and transportation efficiencies, outlined in CDP question C4.3b. As a result, emissions per dollar revenue decreased by 28.72 percent over this period. We achieved a 13.28 percent decrease in emissions per retail square foot between 2018 and 2019. Even though the total retail square footage increased by 8 percent, emissions still decreased by 6 percent. The primary reason for overall emission reduction is our investment in emissions reduction activities, such as building operations and transportation efficiencies, outlined in CDP question C4.3b.
Metrics and Targets A.6) Methodologies used to calculate or estimate climate-related metrics		The methodology used to identify the high value sites in climate risk regions is as follows: • To identify the sites in the Company's portfolio with the highest inherent climate risks, a subset of all sites was selected for analysis • High risk sites were selected by evaluating hazards and vulnerability e.g. sites with the highest likelihood of a severe hurricane, flood or fire. Datasets from NOAA, United States Geological Survey (USGS), and US Forest Service were used to assess the climate risks. • Of the high-risk sites, those with the highest potential financial impact were highlighted; defined as total insured value (TIV)

		• Additionally, the WRI (World Resources Institute) Aqueduct tool is also used to identify sites located in areas with potential for riverine and coastal flooding.
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.	CDP 2020 C2.2a C6.1 C6.3 C6.5	**GHG Emissions** For the 2019-year Scope 1, Scope 2 and Scope 3 emissions were as follows: Gross global Scope 1 emissions: 157,199 metric tons CO2e Gross global Scope 2 location-based emissions: 1,024,682 metric tons CO2e Gross global Scope 2 market-based emissions: 1,036,690 metric tons CO2e Scope 3 Category 1: Purchased Goods & Services- 14,584,739 metric tons CO2e Category 2: Capital Goods- 1,011,730 metric tons CO2e Category 3: Fuel-and-energy-related activities (not included in Scope 1 or 2)- 51,657 metric tons CO2e Category 5: Waste generated in operations- 35,237 metric tons CO2e Category 6: Business Travel- 106,796 metric tons CO2e Category 7: Employee Commuting- 20,400 metric tons CO2e Category 9: Downstream transportation and distribution- 46,625 metric tons CO2e **Associated Risks** **Market Risks**: Specific climate-related market risks evaluated include potential increases in electricity and fuel prices. 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. **Policy/ Regulatory Risks**: 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. By 2022, California state law will also require commercial residents 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	CDP 2020 C5.1	Since 2010 we have reduced our combined scope 1 and 2 emissions by 36 percent. For a comprehensive summary of the environmental metrics please refer to data tables in our CSR Report.

	2019 CSR Report	
Metrics and Targets B.3) Methodologies used to calculate or estimate the metrics	2020 CDP C5.2, C0.5, C10.1a , b, c	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 C1 Targets used by the organization to manage climate-related risks and opportunities and performance against targets	2020 CDP C2.3a, C2.4a, C4.1a	For risks of write-offs, asset impairment, and early retirement of existing assets, our goal is to mitigate potential asset impairment due to severe hurricanes, flooding and wildfires to a level below our threshold for substantive impact. We do this through adequate insurance coverage for all Company sites with a reasonable deductible. Risks are currently well mitigated through insurance, resulting in total residual risk ~$7 million, well below our threshold for substantive impact. For opportunities, in increased revenue through new solutions to adaptation needs, our goal is to ensure that stores in Arizona, North Carolina and Florida 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. For reducing operating costs through enterprise modernization efforts, the Company endeavored upon enterprise modernization to diversify our operating inputs for increased climate resilience. Our goal is to reduce operating costs, primarily through the reduction in electricity use at our corporate offices and headquarters in Woonsocket, RI. Regarding mitigation efforts, we are seeking validation by the Science Based Target Initiative (SBTi) for our second generation of emissions reduction Science Based Targets (SBT). Through our aggressive emissions reduction measures, we achieved our first generation SBT, validated by the SBTi in 2018, to reduce our combined Scope 1 and 2 market-based emissions 36 percent by 2030 over a 2010 base year. We have now set the following reduction goals for our Scope 1, Scope 2, and Scope 3 emissions: reduce absolute Scope 1 and 2 market-based emissions 67.2% by 2030 from a 2014 base year; reduce absolute Scope 3 emissions from purchased goods and services by 13.5% by 2030 from a 2019 base year. We also continue working towards our 2050 goal, part of our first generation SBT, to reduce our combined Scope 1 and 2 market-based emissions 56 percent by 2050 over the 2010 base year. Finally, our first generation SBT includes an ambitious target to have 70 percent of our suppliers report their own science-based targets for their Scope 1 & 2 emissions at minimum by 2023.