

CVS HEALTH Corp  
Form DEF 14A  
April 24, 2018  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the  
Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

CHECK THE APPROPRIATE BOX:

- Preliminary Proxy Statement
- Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Under Rule 14a-12

**CVS Health Corporation**

(Name of Registrant as Specified In Its Charter)  
(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

PAYMENT OF FILING FEE (CHECK THE APPROPRIATE BOX):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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- 1) Amount previously paid:
  - 2) Form, Schedule or Registration Statement No.:
  - 3) Filing Party:
  - 4) Date Filed:
-

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Notice of  
**Annual Meeting  
of Stockholders**

**June 4, 2018; 8:00 a.m.**

CVS Health Corporation  
Customer Support Center  
One CVS Drive  
Woonsocket, Rhode Island 02895

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### **Message from Our Chairman and Our Chief Executive Officer**

#### **Dear Fellow Stockholders:**

CVS Health remains a preeminent health care company, uniquely positioned to deliver more affordable, accessible, and effective care. Through our unique suite of enterprise assets, we can deliver value to all health care stakeholders and help them to better realize their health care goals.

#### ***Overall 2017 Performance***

We must acknowledge that our growth in 2017 was less than levels to which we and our stockholders have been accustomed. While we delivered earnings in line with expectations, those expectations were low, driven primarily by the loss of retail pharmacy prescriptions associated with pharmacy network changes. As a result, net revenues grew 4% and adjusted earnings per share increased by 1%. To combat these headwinds, we implemented a four-point plan to return us to healthier levels of earnings growth over the coming years. We are pleased to report that we have been successfully executing against this plan, and 2018 is expected to build upon that success as we continue on our path to more robust growth.

#### ***Our Use of Capital and the Pending Aetna Merger***

We generated substantial cash flow and utilized it to deliver on our three-pillared approach to capital allocation and enhance returns to our stockholders. We optimize our capital allocation through dividends, share repurchases, and by investing in high-return, value-enhancing projects. Through this effective approach, in 2017, we returned more than \$6 billion to stockholders through dividends and share repurchases. Additionally, we announced the proposed acquisition of Aetna, a leading diversified health care benefits company. We expect that our combined companies will remake the consumer health care experience by creating a new platform that puts the consumer at the center of health care delivery, enabling care that is easier to use and less expensive. This acquisition, which has already received the approval of both companies' stockholders, is expected to unlock long-term value that further advances our return to robust growth, and it positions the combined company as America's front door to quality health care. We look forward to garnering regulatory approval, closing the transaction, and beginning our work to better address the challenges in the U.S. health care system.

#### ***Corporate Social Responsibility***

At CVS Health, we are guided by our purpose of helping people on their path to better health and nowhere is this more apparent than our corporate social responsibility roadmap, *Prescription for a Better World*. This roadmap focuses on three key priorities: playing an active role in supporting health and wellness, reducing the environmental impact of our footprint, and striving to create a safe, rewarding, engaging, and inclusive workplace. Notably, last year we rolled out a series of enterprise initiatives to help fight the national opioid abuse epidemic aligned with the U.S. Centers for Disease Control and Prevention's guideline. You can find highlights of our progress on these initiatives inside the back cover of this proxy statement.

#### ***Corporate Governance***

We remain committed to sound corporate governance practices and a critical element of that is an ongoing dialogue with our stockholders. Over the past year, we have proactively engaged with many stockholders to help us understand their needs and concerns, and we listened to their suggestions on how to improve our corporate governance decision-making process. Within this proxy statement, you will find the details of the changes we have made in response to these conversations. Particularly exciting are the changes we are making to better align compensation with performance, which are laid out in the letter from the Management Planning and Development Committee. We welcome feedback from you regarding future improvements.

#### ***Annual Meeting of Stockholders***

Our 2018 Annual Meeting of Stockholders will be held on Monday, June 4, 2018, at 8:00 a.m., at the CVS Health Customer Support Center located at One CVS Drive in Woonsocket, Rhode Island. We invite you to attend, and ask you to please vote at your earliest convenience, whether or not you plan to attend. Your vote is important.

Thank you for your interest and investment in CVS Health. We appreciate your continued support as we look to take a larger role in the health of our country with the vision of a better, brighter, and healthier future.

Sincerely,

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David W. Dorman  
Chairman of the Board

Larry J. Merlo  
President and Chief Executive Officer

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**Notice of Annual Meeting of Stockholders**

**Date and Time**

June 4, 2018, 8:00 A.M.

**Place**

CVS Health Corporation  
Customer Support Center  
One CVS Drive  
Woonsocket, Rhode Island 02895

**Items to be Voted**

Elect 12 directors named in this proxy statement;

Ratify the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for fiscal 2018;

Say on pay, an advisory vote to approve the Company's executive compensation;

Act to approve an amendment to the Company's Certificate of Incorporation to reduce the ownership threshold for our stockholders' right to call special meetings;

Act on one stockholder proposal, if properly presented; and

Conduct any other business properly brought before the Annual Meeting.

**Eligibility to Vote**

Stockholders of record at the close of business on April 10, 2018 may vote at the Annual Meeting.

By Order of the Board of Directors,

**Colleen M. McIntosh**

Senior Vice President & Corporate Secretary

**How to Vote**

Your vote is important to the future of CVS Health. You are eligible to vote if you were a stockholder of record at the close of business on April 10, 2018. Even if you plan to attend the Annual Meeting, please vote as soon as possible using one of the following methods. In all cases, you should have your proxy card in hand:

**Use the Internet**

[www.proxyvote.com](http://www.proxyvote.com)

**Use a Mobile Device**

Scan this QR Code

**Call Toll-Free**

1-800-690-6903

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**Mail Your Proxy Card**

Follow the instructions on your voting form

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting to Be Held on June 4, 2018:

The proxy statement and annual report to security holders are available at [www.cvshealthannualmeeting.com](http://www.cvshealthannualmeeting.com) and at [www.proxyvote.com/cvs](http://www.proxyvote.com/cvs).

Your vote is important.

Whether or not you plan to attend the Annual Meeting, please vote your shares. In addition to voting in person or by mail, stockholders of record have the option of voting by telephone or via the Internet. If your shares are held in the name of a bank, broker or other holder of record (i.e., in "street name"), please read your voting instructions to see which of these options are available to you. Even if you are attending the Annual Meeting in person, we encourage you to vote in advance by mail, phone or Internet.

We began mailing and made available this proxy statement and proxy card on or about April 25, 2018 to all stockholders entitled to vote. Our 2017 Annual Report, which includes our financial statements, is being sent with this proxy statement.

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**Proxy Statement Highlights**

This summary highlights selected information in this Proxy Statement – please review the entire document before voting.

All of our Annual Meeting materials are available in one place at [www.cvshealthannualmeeting.com](http://www.cvshealthannualmeeting.com). There, you can download electronic copies of our Annual Report and Proxy Statement, and use the link to vote.

**Voting Items**

	<b>Board Recommendation</b>	<b>Further information</b>
<b>ITEM 1</b> Election of directors	each director nominee Our directors are seasoned leaders who bring a mix of skills and qualifications to the Board	
<b>ITEM 2</b> Ratify the appointment the Company's independent registered public accounting firm for 2018	Based on its recent evaluation, our Audit Committee believes that the retention of Ernst & Young is in the best interests of the Company and its stockholders	
<b>ITEM 3</b> Say on pay - an advisory vote on the approval of the Company's executive compensation	Our executive compensation program reflects our unwavering commitment to paying for performance and reflects feedback received from stockholder outreach	
<b>ITEM 4</b> Approve an amendment to the Company's Certificate of Incorporation to reduce the ownership threshold for our stockholders' right to call special meetings	We believe that a lower threshold is consistent with the advisory vote of a majority of stockholders who voted at the 2017 annual meeting	
<b>ITEM 5</b> Stockholder proposal regarding executive pay confidential voting	The proposed by-law would restrict our ability to engage with our stockholders and it is unnecessary because stockholders already have the ability to keep their votes confidential	

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Proxy Statement Highlights

The CVS Health Board

You are asked to vote on the election of the following 12 nominees to serve on the Board of Directors of CVS Health. All directors are elected by a majority of votes cast, and all presently serve on the CVS Health Board.

Name, Primary Occupation	Age	Director Since	Independent	Other Public Company Boards	CVS Health Committees				
					A	MP&D	N&CG	PS&CQ	E
<b>Richard M. Bracken</b> <i>Retired Chairman and CEO of HCA Holdings, Inc.</i>	65	2015	YES	None					
<b>C. David Brown II</b> <i>Chairman of Broad and Cassel</i>	66	2007	YES	1					
<b>Alecia A. DeCoudreaux</b> <i>Retired President of Mills College and Former Executive at Eli Lilly &amp; Company</i>	63	2015	YES	None					
<b>Nancy-Ann M. DeParle</b> <i>Co-Founding Partner of Consonance Capital Partners, LLC</i>	61	2013	YES	1					
<b>David W. Dorman</b> <i>Chair of the Board of CVS Health Corporation; Former Chairman and CEO of AT&amp;T Corporation</i>	64	2006	YES	1					
<b>Anne M. Finucane</b> <i>Vice Chairman, Executive Management Team of Bank of America Corporation</i>	65	2011	YES	None					
<b>Larry J. Merlo</b> <i>President and CEO of CVS Health Corporation</i>	62	2010	NO	None					
<b>Jean-Pierre Millon</b> <i>Retired President and CEO of PCS Health Systems, Inc.</i>	67	2007	YES	None					
<b>Mary L. Schapiro</b> <i>Vice Chair, Advisory Board Promontory Financial Group</i>	62	2017	YES	1					
<b>Richard J. Swift</b> <i>Retired Chairman of the Board, President and CEO of Foster Wheeler Ltd.</i>	73	2006	YES	4					
<b>William C. Weldon</b> <i>Retired Chairman of the Board and CEO of Johnson &amp; Johnson</i>	69	2013	YES	2					
<b>Tony L. White</b> <i>Retired Chairman of the Board, President and CEO of Applied Biosystems, Inc.</i>	71	2011	YES	1					

: Committee Chair  
A: Audit

MP&D: Management Planning & Development  
N&CG: Nominating & Corporate Governance

PS&CQ: Patient Safety & Clinical Quality  
E: Executive

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Proxy Statement Highlights  
[Selecting Our Directors](#)

**Director Independence**  
 11 directors, **including our Chair**, are independent of CVS Health. Mr. Merlo, our President and CEO, is our only non-independent director.

**Director Gender**  
**Three of the last four additions to our Board are women.**

**Director Tenure**  
 Our directors bring a balance of experience and fresh perspective to our boardroom. **The average tenure of our directors is seven years.**

**Born Outside of the U.S.**  
 Our directors come from **varied backgrounds**, including **8 different states** and **two foreign countries**.

**Financial Expertise**  
**Three members of our Audit Committee are designated Audit Committee Financial Experts.** Five other board members have qualifications to be financial experts, and the remainder are financially literate.

**Director Skills and Experience**

Our directors possess relevant experience, skills and qualifications that contribute to a well-functioning Board to effectively oversee the Company's strategy and management. Areas of director expertise include:

<b>6/12</b>	<b>9/12</b>	<b>8/12</b>
Business Development and Corporate Transactions	Health Care and Regulated Industries	Public Company Board Service
<b>4/12</b>	<b>4/12</b>	<b>5/12</b>
Business Operations	International Business Operations	Public Policy and Government Affairs
<b>7/12</b>	<b>8/12</b>	<b>9/12</b>
Corporate Governance	Leadership (Current or Former CEOs)	Risk Management
<b>9/12</b>	<b>4/12</b>	<b>3/12</b>
Finance	Legal and Regulatory Compliance	Technology and Innovation

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Proxy Statement Highlights

**Board and Corporate Governance Highlights**

The CVS Health Board continues to evaluate the Company's corporate governance policies and practices to ensure that the right mix of individuals are present in our boardroom and to best serve the stockholders we represent by ensuring effective oversight of our strategy and management. We are committed to maintaining the highest standards of corporate governance, and have established a strong and effective framework by which the Company is governed and reviewed.

**Further Information**

**2017-2018 Board and Corporate Governance Developments**

In May 2017 Mary Schapiro was elected to our Board of Directors, strengthening our Board's financial expertise and increasing its gender diversity

The Board is proposing a reduction in the threshold for our stockholders' right to call special meetings of stockholders, from 25% of shares outstanding to 15%, following an advisory vote by stockholders of 52% in favor of this reduction in 2017

Key corporate governance documents, including the Certificate of Incorporation, By-laws, Corporate Governance Guidelines and Committee Charters, were updated and harmonized

**Board Communication and Stockholder Rights**

Our Board supports our stockholder outreach program and has responded to stockholder input with changes in our compensation program and other areas

Right to act by written consent and to call special meetings

Majority voting in director elections

Proxy access by-law

Annual election of all directors, annual "say-on-pay" vote

**Director Alignment with Stockholder Interests**

At least 75% of our directors' annual retainer mix is paid in shares of CVS Health common stock

Directors must own at least 10,000 shares of CVS Health common stock

Directors had excellent meeting attendance, averaging 97%

**Board Oversight of Risk**

Full Board and individual Committee focus on understanding and assessing Company risks

Annually, the Audit Committee reviews our policies and practices 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

The Management Planning and Development Committee is responsible for reviewing and assessing potential risk arising from the Company's compensation policies and practices

The Patient Safety and Clinical Quality Committee reviews and assesses risks arising from the Company's provision of health care services across the enterprise, and the steps taken to monitor and mitigate those risks

Our independent Chair and our CEO are focused on the Company's risk management efforts and ensure that risk matters are appropriately brought to the Board and/or its Committees for review

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Proxy Statement Highlights

**Stockholder Outreach – Governance and Compensation Actions**

In late 2017 and early 2018, we reached out to holders of more than 50% of our outstanding common stock in the aggregate, and held calls with holders of nearly 25% of our outstanding shares. We also held calls with both leading proxy advisory firms. We discussed a number of topics on these calls, including our strategy in the evolving health care industry, our Board composition and practices, special meeting rights, and our initiatives around corporate social responsibility including enhanced initiatives to help fight the national opioid abuse epidemic. We also sought feedback on our compensation program after a disappointing outcome at our 2017 annual meeting on our say on pay proposal, which received support from approximately 61% of votes cast. Our Independent Board Chair, David Dorman, or the Chair of our Management Planning and Development Committee, David Brown, participated in many of the calls with our stockholders. Feedback from these conversations was shared with the Management Planning and Development Committee and full Board, and informed the changes to our compensation program approved by the Management Planning and Development Committee in early 2018.

<b>What we heard</b>	<b>What we have done in response</b>	<b>Intended outcome and when effective</b>
Diversity of the Board may be improved by ensuring that diverse candidates are included in director searches	Amended our Nominating and Corporate Governance Committee Charter to specifically include a requirement for diverse candidates We are replacing time-based restricted stock units (RSUs) with performance share units (PSUs) subject to a three-year performance period, and shares delivered in settlement of PSUs will be subject to a two-year holding period post-vest	Memorialize and formalize our existing practice of including diverse candidates in all director searches  <b>Effective January 2017;</b> Mary Schapiro nominated in March and elected in May 2017
More of your long-term compensation should be performance-based, rather than time-based	All LTIP grants will be denominated in PSUs that will be reported in the Summary Compensation Table in the year of grant. The comparator group for the relative performance TSR modifier under the LTIP will change from the S&P 500 to a smaller index of specified health care and consumer staples companies	Further incentivizes long-term performance and ties compensation to achievement of long-term goals <b>Beginning with 2018 awards</b> Denominating awards in PSUs and reporting them in the year of grant makes the disclosure easier to understand, and changing the modifier group better aligns it to the Company's business
The Long-Term Incentive Plan (LTIP) should be denominated in stock, and the comparator group should more closely align to the business	Added disclosure regarding the Management Planning and Development Committee's evaluation of each executive's goals and performance	<b>Beginning with 2018-2020 award cycle</b> Increases transparency in terms of annual bonus awards and further emphasizes the Management Planning and Development Committee's pay for performance philosophy
More transparency is needed for the individual component of your annual incentive plan		<b>This proxy statement</b>

For more information on changes to our compensation programs, see the letter from the Management Planning and Development Committee on page 33 and the Compensation Discussion and Analysis beginning on page 34. For more information on corporate governance at CVS Health, please refer to pages 9-28 of this proxy statement and to our website at <http://investors.cvshealth.com/corporate-governance>.

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**Corporate Governance and Related Matters**

**Item 1: Election of Directors**

Our Board of Directors has nominated 12 candidates for election as directors at the Annual Meeting. All 12 nominees currently serve as directors. If elected, each nominee will hold office until the next annual meeting.

The Nominating and Corporate Governance Committee believes that the Board is well-balanced and that it fully and effectively addresses the Company's needs. All of our nominees are seasoned leaders, the majority of whom are or were chief executive officers or other senior executives, who bring to the Board skills and qualifications gained during their tenure at a vast array of public companies, private companies, non-profits, governmental and regulatory agencies and other organizations. We have indicated below for each nominee certain of the experience, qualifications, attributes or skills that led the Committee and the Board to conclude that the nominee should continue to serve as a director. Please note that each director possesses qualifications in addition to those listed under their name; we have only listed the core attributes considered by the Board to be most relevant to each nominee.

**The Board of Directors unanimously recommends a vote                      the election of all director nominees.**

**2017 Board of Directors**

- 1** Richard Bracken **2** Anne Finucane **3** Richard Swift **4** Nancy-Ann DeParle **5** Tony White **6** Larry Merlo  
**7** David Dorman **8** Jean-Pierre Millon **9** William Weldon **10** Mary Schapiro **11** David Brown **12** Alecia DeCoudreaux

For more information about our directors, please refer to pages 10-21 of this proxy statement.

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Corporate Governance and Related Matters:

Item 1

**Biographies of our Incumbent Board Nominees**

**Richard M. Bracken**

*Retired Chairman and CEO of HCA Holdings, Inc.*

**Independent Director  
CVS Health Board**

**Committees** Patient Safety and Clinical Quality (Chair); Nominating and Corporate Governance; Executive

**Age** 65

**Director since** **Other Public Boards**

January 2015 None

**Director Qualification Highlights**

- Leadership – Former CEO
- Business Operations; Consumer Products and Services
- Finance
- Health Care/Regulated Industry
- Risk Management
- Corporate Governance

**Education** B.A., San Diego State University; M.H.A., Medical College of Virginia, Virginia Commonwealth University

**Biography** Mr. Bracken is the former Chairman and Chief Executive Officer of HCA Holdings, Inc., one of the nation’s leading providers of health care services. At the time of Mr. Bracken’s retirement, HCA’s facilities included approximately 165 hospitals and 115 freestanding surgery centers in 20 states and England. Mr. Bracken served in a number of executive roles in his 33 year career at HCA, including President of HCA’s Pacific Division in 1995, Western Group President in 1997, Chief Operating Officer of HCA in July 2001, and President and Chief Operating Officer in January 2002. He was elected to the HCA Board of Directors in November 2002, became President and Chief Executive Officer in January 2009, and Chairman and Chief Executive Officer in December, 2009. He retired as CEO in December 2013, and as Chairman in December 2014.

**Skills and Qualifications of Particular**

**Relevance to CVS Health** Mr. Bracken’s experience in leading a large, publicly traded health care company lends expertise and perspective greatly valued by the Board. In addition, his experience operating in the highly-regulated health care industry with significant experience in enterprise clinical quality is also a complementary skill set for the Board. That experience led the Board to appoint Mr. Bracken as Chair of the Patient Safety and Clinical Quality

Committee when it was formed in March 2016.

**C. David Brown II**

*Chairman of Broad and Cassel*

**Independent Director**

**CVS Health Board Committees**

Management Planning and Development (Chair); Nominating and Corporate Governance; Executive

**Age** 66

**Other Public Boards**

**Director since** Rayonier Advanced

March 2007 Materials Inc.

**Director Qualification Highlights**

Business Operations; Real Estate  
Business Development, Corporate Strategy and Transactions  
Finance  
Legal and Regulatory Compliance  
Health Care/Regulated Industry  
Risk Management  
Public Company Board Service

**Education** B.S.B.A., University of Florida; J.D., University of Florida College of Law

**Biography** Mr. Brown has been Chairman of Broad and Cassel, a Florida law firm, since March 2000. From 1989 until March 2000, he was Managing Partner of the Orlando office of the firm. He is also the lead director of Rayonier Advanced Materials Inc. (RYAM), a leading specialty cellulose production company. Mr. Brown previously served on the board of directors and as lead director of Rayonier Inc., a real estate development and timberland management company, prior to the spin-off of RYAM in June 2014. He also served as a director of ITT Educational Services, Inc., a national provider of technology-oriented degree programs, from April 2015 until September 2016. Mr. Brown previously served on the board of Caremark Rx, Inc. from March 2001 until the closing of the merger transaction involving CVS Health and Caremark, when he became a director of CVS Health.

**Skills and Qualifications of Particular**

**Relevance to CVS Health** Mr. Brown's legal expertise and health care experience are highly valued by the Board, as is his ability to analyze and interpret complex issues and facilitate Board engagement. Mr. Brown has significant health care experience, including through his oversight of UF Health while serving as Chairman of the Board of Trustees for the University of Florida and as a member of the Board of Directors and Executive Committee of Orlando Health, a not-for-profit health care network. The Board believes that Mr. Brown's experience adds knowledge and leadership depth to the Board.





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Corporate Governance and Related Matters:

Item 1

**Alecia A. DeCoudreaux**

*Retired President of Mills  
College and Former Executive at  
Eli Lilly & Company*

**Independent Director  
CVS Health Board**

**Committees** Audit; Patient  
Safety and Clinical Quality

**Age** 63**Director since** **Other Public Boards**

March 2015 None

**Director Qualification Highlights**

Business Development, Corporate Strategy  
and Transactions

Legal and Regulatory Compliance

Health Care/Regulated Industry

Corporate Governance

Risk Management

Public Policy and Government Affairs

**Education** B.A., Wellesley College; J.D., Indiana  
University School of Law

**Biography** Ms. DeCoudreaux is the former  
President of Mills College, a liberal arts college  
for women with graduate programs for women  
and men, having served a five-year term in that  
position from July 2011 through June 2016.  
Previously, Ms. DeCoudreaux served in a  
number of leadership roles at Eli Lilly and  
Company, a global pharmaceutical manufacturer,  
including as Vice President and Deputy General  
Counsel, Specialty Legal Team, from 2010-2011,  
Vice President and General Counsel, Lilly USA,  
from 2005-2009, and Secretary and Deputy  
General Counsel of Eli Lilly from 1999-2005.  
During her 30-year career with Eli Lilly Ms.  
DeCoudreaux also previously served as  
Executive Director of Lilly Research Laboratories,  
Director of Federal Government Relations,  
Director of State Government Relations and  
Director of Community Relations. In addition, Ms.  
DeCoudreaux has served on a number of  
charitable, educational, for profit and nonprofit  
boards, including as both a trustee and board  
chair at Wellesley College.

**Skills and Qualifications of Particular**

**Relevance to CVS Health** Ms. DeCoudreaux  
has more than 30 years of experience in the  
pharmaceutical industry, and her experience as  
an attorney in that field and in the area of  
corporate governance, makes her a great asset  
to our Board.

**Age** 61**Nancy-Ann M. DeParle**

**Director since** *Co-Founding Partner  
of Consonance Capital  
Partners, LLC*  
September 2013

**Independent Director**

**CVS Health Board**

**Committees** Audit; Patient  
Safety and Clinical Quality

**Other Public Boards**

HCA Holdings, Inc.

**Director Qualification Highlights**

Business Development, Corporate Strategy  
and Transactions

Finance

Legal and Regulatory Compliance

Health Care / Regulated Industry

Public Policy and Government Affairs

Public Company Board Service

**Education** B.A., University of Tennessee;  
B.A. and M.A., Balliol College, Oxford  
University; J.D., Harvard Law School

**Biography** Ms. DeParle has been a  
Co-Founding Partner of Consonance Capital  
Partners, LLC, a private equity firm focused  
on investing in small and mid-size health  
care companies, since August 2013. From  
March 2009 to January 2013, Ms. DeParle  
served in the White House, first as  
Counselor to the President and Director of  
the White House Office of Health Reform,  
and later as Assistant to the President and  
Deputy Chief of Staff for Policy. In addition,  
from 1993 to 2000, Ms. DeParle served as  
the Associate Director for Health and  
Personnel for the White House Office of  
Management and Budget, and later as the  
Administrator of the Centers for Medicare  
and Medicaid Services (then known as the  
Health Care Financing Administration). From  
2001 to March 2009, Ms. DeParle served as  
a Senior Advisor with JPMorgan Partners  
and as a Managing Director of its successor  
entity, CCMP Capital, L.L.C., focusing on  
private equity investments in health care  
companies. Ms. DeParle is also a director of  
HCA Holdings, Inc., a health care services  
company that owns, manages or operates  
hospitals and various other health care  
facilities.

**Skills and Qualifications of Particular**

**Relevance to CVS Health** Ms. DeParle has  
more than 25 years of experience in the  
health care arena, and is widely considered  
to be one of the nation's leading experts in  
health care policy, management and  
financing, which makes her an excellent fit  
for our Board.

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Corporate Governance and Related Matters:

Item 1

**David W. Dorman**

*Chairman of the Board of CVS Health Corporation, Former Chairman and CEO of AT&T Corporation, and Founding Partner of Centerview Capital Technology Fund*

**Independent Director**

**CVS Health Board**

**Committees** Management Planning and Development; Nominating and Corporate Governance (Chair); Executive

**Age** 64

**Director since Other Public Boards**

March 2006 PayPal Holdings, Inc.

**Director Qualification Highlights**

Leadership – Former CEO

Finance

International Business Operations; Consumer Products or Services

Technology and Innovation

Risk Management

Corporate Governance

Public Company Board Service

**Education** B.S., Georgia Institute of Technology

**Biography** Mr. Dorman has been the Chairman of the Board of CVS Health Corporation since May 2011. He has also been a Founding Partner of Centerview Capital Technology Fund, a private investment firm, since July 2013. He also served as Lead Director of Motorola Solutions, Inc. (formerly Motorola, Inc.), a communications products company, until his retirement from that board in May 2015, and was Non-Executive Chairman of the Board of Motorola from May 2008 through May 2011. From October 2006 through April 2008, he was a Managing Director and Senior Advisor with Warburg Pincus LLC, a global private equity firm. From November 2005 until January 2006, Mr. Dorman served as President and a director of AT&T Inc., a telecommunications company (formerly known as SBC Communications). From November 2002 until November 2005, Mr. Dorman was Chairman of the Board and Chief Executive Officer of AT&T Corporation. Mr. Dorman is also a director of PayPal Holdings, Inc., a leading digital and mobile payments company, as well as Dell Technologies Inc., the world's largest privately controlled technology company. He was also a director of SecureWorks Corp., an information security solutions provider and a subsidiary of Dell, from the time of SecureWorks' IPO in April 2016 until

he joined the board of Dell in September 2016. He was a director of Yum! Brands, Inc., a global quick service restaurant company, from 2005 until his retirement from that board in May 2017.

**Skills and Qualifications of Particular**

**Relevance to CVS Health** Mr. Dorman's experience in leading large companies, beginning with Sprint and later Pacific Bell and AT&T, lends a perspective and skill set that is greatly valued by the Board. His business background of growing companies is in line with and useful to our business strategy. The Board believes that Mr. Dorman's experience leading the boards of AT&T and Motorola make him well-suited to be the Company's Chairman.

**Anne M. Finucane**  
*Vice Chairman and Member of Executive Management Team of Bank of America Corporation*  
**Independent Director**  
**CVS Health Board**

**Committees** Nominating and Corporate Governance; Management Planning and Development

**Age** 65

**Director since**

January 2011 **Other Public Boards** None

**Director Qualification Highlights**

Business Operations; Consumer Products or Services

Business Development, Corporate Strategy and Transactions

Public Policy and Government Affairs

Regulated Industry

Corporate Governance

Risk Management

**Education** B.A., University of New Hampshire

**Biography** Ms. Finucane has been Vice Chairman of Bank of America Corporation, an international financial services company, since July 2015 and is a member of its executive management team. From 2006 through July 2015 Ms. Finucane served as Global Chief Strategy and Marketing Officer for Bank of America and served as Northeast Market President from 2004 through July 2015. During her twenty-plus years as a senior leader at Bank of America and its legacy firms, Ms. Finucane has served as senior advisor to four chief executive officers and the Board of Directors. Ms. Finucane is responsible for the strategic positioning of Bank of America and oversees the public policy, customer research and analytics, global marketing, communications and corporate social responsibility efforts for the company. She is chair of Bank of America's Environmental, Social and Governance Committee, and is also chair of the Bank of America Charitable Foundation.

**Skills and Qualifications of Particular**

**Relevance to CVS Health** Ms. Finucane's experience in the financial services industry, consumer policy, strategy, marketing, corporate social responsibility and government affairs provides the Board with valuable insight in those key areas.

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Corporate Governance and Related Matters:

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**Larry J. Merlo**

*President and Chief Executive Officer of CVS Health Corporation*

**Non-Independent Director  
CVS Health Board**

**Age** 62

**Director since** **Committees** Executive

May 2010 **Other Public Boards** None

**Director Qualification Highlights**

Leadership – Current CEO  
Business Operations; Consumer Products or Services  
Business Development, Corporate Strategy and Transactions  
Health Care/Regulated Industry  
Real Estate  
Public Policy and Government Affairs  
Pharmacy Benefit Management

**Education** B.S., Pharmacy, University of Pittsburgh

**Biography** Mr. Merlo has been Chief Executive Officer of CVS Health Corporation since March 2011 and President of CVS Health Corporation since May 2010. Mr. Merlo formerly served as Chief Operating Officer of CVS Health Corporation from May 2010 through March 2011 and was President of CVS Pharmacy from January 2007 through May 2010, and Executive Vice President – Stores from April 2000 to January 2007.

**Skills and Qualifications of Particular Relevance to CVS Health** Mr. Merlo has been with CVS Health and its subsidiaries for nearly 40 years, and provides the Board with invaluable experience and insight into the retail drugstore and health care industries.

**Jean-Pierre Millon**

*Retired President and Chief Executive Officer of PCS Health Systems, Inc.*

**Independent Director  
CVS Health Board**

**Age** 67

**Director since** **Committees** Audit; Patient Safety and Clinical Quality

March 2007 **Other Public Boards** None

**Director Qualification Highlights**

Leadership – Former CEO  
Finance  
Business Development, Corporate Strategy and Transactions  
Health Care/Regulated Industry  
International Business Operations  
Pharmacy Benefit Management

Public Company Board Service

**Education** B.S., Ecole Centrale de Lyon (France); B.A., Université de Lyon (France); M.B.A., Kellogg School of Business, Northwestern University

**Biography** Mr. Millon is the retired former President and Chief Executive Officer of PCS Health Systems, Inc. Mr. Millon joined PCS in 1995, where he served as President and Chief Executive Officer from June 1996 until his retirement in September 2000. Prior to that, Mr. Millon served as an executive and held several global leadership positions with Eli Lilly and Company. Mr. Millon previously served on the board of Caremark from March 2004, upon Caremark's acquisition of AdvancePCS, and as a director of AdvancePCS (which resulted from the merger of PCS and Advance Paradigm, Inc.) beginning in October 2000. He became a director of CVS Health upon the closing of the merger transaction involving CVS Health and Caremark. Mr. Millon has over 10 years of financial management experience and fifteen years of general functional management experience, including strategic planning experience specific to pharmacy benefit management companies as the former head of PCS. He also has extensive venture capital and public and private company board experience.

**Skills and Qualifications of Particular**

**Relevance to CVS Health** Mr. Millon's extensive background and experience in the pharmacy benefit management, pharmaceutical and life sciences businesses, combined with his financial expertise, provide the Board with additional perspective across the enterprise.



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**Mary L. Schapiro**  
*Vice Chair of the Advisory  
 Board Promontory Financial  
 Group*

**Independent Nominee  
 CVS Health Board**

**Committees** Audit

**Age** 62 **Other Public Boards**

**Director since** London Stock Exchange  
 May 2017 Group plc

**Director Qualification Highlights**

- Leadership – Former CEO
- Public Policy and Government Affairs
- Finance
- Risk Management
- Legal and Regulatory Compliance
- Public Company Board Service

**Education** B.A., Franklin and Marshall  
 College; J.D., George Washington University

**Biography** Since January 2014, Ms. Schapiro has served as the Vice Chair of Promontory Advisory Board, part of Promontory Financial Group, a leading strategy, risk management and regulatory compliance firm that was acquired by IBM Corporation in November 2016. She previously served as managing director of Promontory Financial Group from March 2013 through January 2014. From January 2009 through December 2012, Ms. Schapiro was Chairman of the U.S. Securities and Exchange Commission, becoming the first woman to serve as that agency’s Chairman. Prior to becoming SEC Chairman, Ms. Schapiro was Chairman and CEO of the Financial Industry Regulatory Authority (FINRA) from 2006 through 2008, and prior to that held a number of key executive positions at FINRA and its predecessor from 1996 through 2006, including Vice Chairman and President of NASD Regulation. She also served as Chairman of the Commodity Futures Trading Commission (CFTC) from 1994 to 1996, and was the only person to serve as Chairman of both the CFTC and the SEC. Ms. Schapiro is also a director of The London Stock Exchange Group plc, which engages in market infrastructure and the capital markets business. Ms. Schapiro was also a director of General Electric Company (GE), a global diversified infrastructure company, from April 2013 until her retirement from that board effective at the time of GE’s April 2018 annual meeting.

**Skills and Qualifications of Particular  
 Relevance to CVS Health** Ms. Schapiro’s

experience in leading the SEC, FINRA and the CFTC makes her extremely well qualified to serve on our Board. Ms. Schapiro's leadership of the SEC during the turbulent period that followed the 2008 financial crisis, one of the busiest rulemaking periods in the agency's history, demonstrates her ability to navigate through a difficult and complex regulatory and political environment. The Board believes that her skills fill important needs in the areas of legal and regulatory compliance, finance, risk management, and public policy and government affairs.

**Richard J. Swift**

*Retired Chairman of the Board,  
President and Chief Executive  
Officer of Foster Wheeler Ltd.*

**Independent Director**

**CVS Health Board**

**Committees** Audit (Chair);  
Executive

**Other Public Boards** Ingersoll-  
Rand plc, Kaman Corporation,  
Hubbell Incorporated, Public

**Age** 73

**Director since** Service Enterprise Group  
September 2006 Incorporated

**Director Qualification Highlights**

Leadership – Former CEO

Finance

International Business Operations

Technology and Innovation

Risk Management

Corporate Governance

Public Company Board Service

**Education** B.S., U.S. Military Academy at West  
Point; M.S., Purdue University; M.B.A., Fairleigh  
Dickinson University

**Biography** Mr. Swift is the former Chairman of the Board, President and Chief Executive Officer of Foster Wheeler Ltd., an international engineering and construction firm, having served in those positions from April 1994 until his retirement in October 2001. Mr. Swift also served as a member and as Chairman of the Financial Accounting Standards Advisory Council (FASAC) from 2002 until his retirement from FASAC in December 2006. Mr. Swift is also lead director of Ingersoll-Rand plc, a diversified industrial company, and a director of Kaman Corporation, a diversified manufacturer and distributor, Hubbell Incorporated, an electrical and electronic products company, and Public Service Enterprise Group Incorporated, an energy company.

**Skills and Qualifications of Particular**

**Relevance to CVS Health** The Board greatly values Mr. Swift's financial expertise, including his experience at FASAC and with various public company boards and audit committees for over 30 years of combined service. Mr. Swift is an audit

committee financial expert and his accounting and financial skills are important to the oversight of our financial reporting, enterprise and operational risk management.

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**William C. Weldon**

*Retired Chairman of the Board and Chief Executive Officer of Johnson & Johnson*

**Independent Director  
CVS Health Board**

**Committees** Management Planning and Development, Nominating and Corporate Governance

**Age** 69

**Other Public Boards**

**Director since** JPMorgan Chase & Co., Exxon March 2013 Mobil Corporation

**Director Qualification Highlights**

Leadership – Former CEO

Finance

Health Care/Regulated Industry

International Business Operations; Consumer Products or Services

Risk Management

Corporate Governance

Public Company Board Service

**Education** B.S., Quinnipiac University

**Biography** Mr. Weldon is the former Chairman of the Board and Chief Executive Officer of Johnson & Johnson, a global developer and manufacturer of health care products, having served in those positions from 2002 until his retirement as Chief Executive Officer in April 2012 and his retirement from the board in December 2012. Mr. Weldon previously served in a variety of senior executive positions during his 41-year career with Johnson & Johnson. Mr. Weldon is also a director of JPMorgan Chase & Co., a global financial services company, and Exxon Mobil Corporation, an international oil and gas company. He was formerly a director of The Chubb Corporation, an international insurance company, until it was acquired by ACE Limited in January 2016.

**Skills and Qualifications of Particular Relevance**

**to CVS Health** Mr. Weldon's experience in managing a complex global health care company and his deep knowledge of the worldwide health care market across multiple sectors makes him extremely well suited to serve on our Board. His background in international business management and operating in the highly-regulated health care industry is also greatly valued by the Board.

**Age** 71

**Tony L. White**

*Retired Chairman of the Board, President and Chief Executive Officer of Applied Biosystems, Inc.*

**Director since** March 2011

**Independent Director**

**CVS Health Board**

**Committees** Management  
Planning and Development;  
Patient Safety and Clinical  
Quality

**Other Public Boards**

Ingersoll-Rand plc

**Director Qualification Highlights**

Leadership – Former CEO

Finance

Health Care/Regulated Industry

Technology and Innovation

Risk Management

Corporate Governance

Public Company Board Service

**Education** B.A., Western Carolina  
University

**Biography** Mr. White is the former Chairman of the Board, President and Chief Executive Officer of Applied Biosystems, Inc. (formerly Applera Corporation), a developer, manufacturer and marketer of life science systems and genomic information products, having served in those positions from September 1995 until his retirement in November 2008. Mr. White is also a director of Ingersoll-Rand plc, a diversified industrial company. He was a director of C.R. Bard, Inc. (Bard), a company that designs, manufactures and sells medical, surgical, diagnostic and patient care devices, from 1996 until Bard was acquired by Becton Dickinson and Company in December 2017.

**Skills and Qualifications of Particular**

**Relevance to CVS Health** Mr. White's wealth of management experience in the life sciences and health care industries, including over 13 years as Chairman and CEO of an advanced-technology life sciences company and 26 years in various management positions at Baxter International, Inc., a provider of medical products and services, makes him well qualified to serve as a director of CVS Health.

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Corporate Governance and Related Matters:  
Director Qualification Criteria; Diversity

Item 1

Recognizing that the selection of qualified directors is complex and crucial to the long-term success of the Company, the Nominating and Corporate Governance Committee has established in its charter guidelines for the identification and evaluation of candidates for membership on the Board. Under its charter, the Committee recommends to the Board criteria for Board membership and recommends individuals for membership on our Board. The criteria used by the Committee in nominating directors are found in the Committee's charter and provide that candidates should be distinguished individuals who are prominent in their fields or otherwise possess exemplary qualities that will enable them to effectively function as directors. While the Committee does not believe it appropriate to establish any specific minimum qualifications for candidates, it focuses on the following qualities in identifying and evaluating candidates for Board membership:

Background, experience and skills

Character, reputation and personal integrity

Judgment

Independence

Diversity

Commitment to the Company and service on the Board

Any other factors that the Committee may determine to be relevant and appropriate

The Committee makes these determinations in the context of the existing composition of the Board so as to achieve an appropriate mix of characteristics. Consistent with this philosophy, the Committee is committed to including in each search qualified candidates who reflect diverse backgrounds, including diversity of gender and race. The Committee also takes into account all applicable legal, regulatory and stock exchange requirements concerning the composition of the Board and its committees. The Committee reviews these guidelines from time to time as appropriate (and in any event at least annually) and modifies them as it deems appropriate.

The Committee also reviews the composition of the Board in light of the current challenges and needs of the Board and the Company, and determines whether it may be appropriate to add or remove individuals after considering, among other things, the need for audit committee expertise and issues of independence, diversity, judgment, character, reputation, age, skills, background and experience.

The Committee values diversity, which it broadly views in terms of, among other things, gender, race, background and experience, as a factor in selecting members to serve on the Board. Our nominees reflect that diversity, including in terms of race, gender and ethnic background. In addition, to ensure that it has access to a broad range of qualified, experienced and diverse candidates, the Committee may use the services of an independent search firm to help identify and assist in the evaluation of candidates.

### Board Evaluation Process

When considering current directors for re-nomination to the Board, the Committee takes into account the performance of each director, which is part of the Committee's annual Board evaluation process. That process includes individual interviews of each director by our General Counsel, followed by a report summarizing his findings. The Committee then recommends actions for the Board to consider and adopt as it sees fit.

### Board Refreshment; Retirement Age

The Committee and the Board believe that setting a retirement age for CVS Health directors is advisable to facilitate the addition of new directors. Accordingly, our Corporate Governance Guidelines provide that no director who is or would be over the age of 74 at the expiration of his or her current term may be nominated to a new term, unless the Board waives the retirement age for a specific director in exceptional circumstances. In the event any waiver is provided, the Board will disclose the rationale for its decision.

#### Majority Voting

As discussed elsewhere in this proxy statement, directors are elected by a majority of the votes cast at the Annual Meeting (assuming that the election is uncontested). Under our by-laws, each nominee who is a current director is required to submit an irrevocable resignation, which resignation would become effective upon (1) that person not receiving a majority of the votes cast in an uncontested election, and (2) acceptance by the Board of that resignation in accordance with the policies and procedures adopted by the Board. The Board, acting on the recommendation of the Committee, will no later than at its first regularly scheduled meeting following certification of the stockholder vote, determine whether to accept the resignation of the unsuccessful incumbent. Absent a determination by the Board that a compelling reason exists for concluding that it is in the best interests of the Company for an unsuccessful incumbent to remain as a director, the Board will accept that person's resignation. In the event any resignation is not accepted, the Board will disclose the rationale for its determination.

#### Stockholder Submission of Nominees

The Committee will consider any director candidates proposed by stockholders who submit a written request to our Corporate Secretary (including via our proxy access by-law, described below). All candidates should meet the Director Qualification Criteria, discussed above. The Committee evaluates all director candidates and nominees in the same manner regardless of the source. If a stockholder would like to nominate a person for election or re-election to the Board, he or she must provide notice to the Company as provided in our by-laws and described in this proxy statement. The notice must include a written consent indicating that the candidate is willing to be

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Corporate Governance and Related Matters: **The Board's Role and Activities in 2017**  
 named in the proxy statement as a nominee and to serve as a director if elected and any other information that the SEC would require to be included in a proxy statement when a stockholder submits a proposal. See "Other Information – Stockholder Proposals and Other Business for Our Annual Meeting in 2019" for additional information related to proposals, including any nominations, for our 2019 Annual Meeting.

**Proxy Access**

CVS Health has had a proxy access by-law since January 2016. The key terms of its proxy access by-law are:

A stockholder, or a group of up to <b>20</b> stockholders, owning at least <b>3%</b> of the Company's outstanding common stock continuously for at least <b>3</b> years	May nominate and include in the Company's proxy materials director nominees constituting up to the greater of <b>2</b> nominees or <b>20%</b> of the Board	Provided that the stockholders and the nominees satisfy the requirements specified in the Company's by-laws
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**Independence Determinations for Directors**

Under our Corporate Governance Guidelines, a substantial majority of our Board must be comprised of directors who meet the director independence requirements set forth in the Corporate Governance Rules of the New York Stock Exchange (NYSE) Listed Company Manual. Under NYSE Rules, no director qualifies as "independent" unless the Board affirmatively determines that the director has no material relationship with the Company.

Our Board has adopted categorical standards to assist in making director independence determinations. Any relationship that falls within the following standards or relationships will not, in itself, preclude a determination of independence. These categorical standards are set forth in Annex A to the Company's Corporate Governance Guidelines, which are available on our website at <http://investors.cvshealth.com/corporate-governance/documents> or upon request to our Corporate Secretary.

**2018 Determinations**

The Nominating and Corporate Governance Committee of the Board undertook its annual review of director and nominee independence in March 2018. The Committee recommended and the Board determined that each of Mmes. DeCoudreaux, DeParle, Finucane and Schapiro, and each of Messrs. Bracken, Brown, Dorman, Millon, Swift, Weldon and White, is independent. Mr. Merlo is not an independent director because of his employment as President and CEO of the Company.

**The Board's Role and Activities in 2017**

The Board acts as the ultimate decision-making body of the Company and advises and oversees management, which is responsible for the day-to-day operations and management of the Company. In carrying out its responsibilities, the Board reviews and assesses CVS Health's long-term strategy and its strategic, competitive and financial performance.

CVS Health's growth in 2017 was less robust than in recent years. While the Company delivered earnings in line with expectations, those expectations were low, driven primarily by retail prescription losses associated with pharmacy network changes. Despite these headwinds, the Board oversaw the return of approximately \$6 billion to our stockholders through a combination of cash dividends and stock repurchases. The Board increased the cash dividend to \$0.50 per share per quarter for 2017, and oversaw the continued execution of its \$15 billion share repurchase authorization through the early part of the year. CVS Health also implemented a four-point plan to return the Company to healthier levels of earnings growth in the coming years. In December 2017, the Board approved the Company's agreement to acquire Aetna Inc. (Aetna). The Board expects that the combination with Aetna will remake the consumer health care experience by creating a new platform that puts the consumer at the center of health care delivery, enabling care that is easier to use and less expensive. In March 2018, as part of the financing for the Aetna transaction, the Company issued \$40 billion in senior bonds. In order to maintain our investment grade credit ratings, the share repurchase program and stockholder dividend increases were suspended until the Company returns to its targeted adjusted debt-to-adjusted-EBITDA ratio in the low 3x. The Board believes that the four-point plan, as well as the planned acquisition of Aetna, positions CVS Health for improved performance and will better enable us to address some of the challenges of the U.S. health care system.

**The Board's Role in Strategy and Succession Planning**



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The Board reviews the Company's financial performance on a regular basis at Board meetings and through periodic updates, with a particular focus on peer and competitive comparisons. The Board also periodically reviews the Company's long-term strategy, and assesses its strategic, competitive and financial performance, on both an absolute basis and in relation to the performance, practices and policies of its peers and competitors. While the Board receives updates regarding strategic matters throughout the year, one Board

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Corporate Governance and Related Matters:

### **The Board's Role and Activities in 2017**

meeting per year, typically in September, is focused almost entirely on the Company's short- and long-term strategic direction. The Board receives reports from management and expert speakers are often engaged. At this meeting the Board provides input and oversight on short-term strategic goals and sets the long-term strategic direction of the Company. It was at the September 2017 meeting that the Board authorized management to move forward with the proposed acquisition of Aetna.

The Board also reviews the Company's succession planning, including succession planning in the case of the incapacitation, retirement or removal of the CEO. In that regard, the CEO provides an annual report to the Board recommending and evaluating potential successors, along with a review of any development plans recommended for such individuals. The CEO also provides to the Board, on an ongoing basis, his recommendation as to a successor in the event of an unexpected emergency. The Board also reviews succession planning with respect to the Company's key executive officers, i.e., those who are members of the Business Planning Committee, or BPC.

### **The Board's Role in Risk Oversight**

The Board's role in risk oversight involves both the full Board and its Committees, as well as members of management.

### **Risk Oversight Framework**

#### **Board of Directors**

Focuses on understanding Company-wide risks and ensuring that risk matters are appropriately brought to the Board and/or its Committees for review.

Ensures that the Corporate Governance Guidelines and the Board's leadership structure facilitate the effective oversight of risk and communication with management.

#### **Board Committees**

Each of our principal Board Committees is responsible for oversight of risk management practices for categories of risks relevant to their functions.

#### **Audit Committee**

Primary committee charged with carrying out risk oversight responsibilities on behalf of the Board, including reviewing financial, operational, compliance, reputational and strategic risks.

#### **Management Planning and Development Committee**

#### **Nominating and Corporate Governance Committee**

#### **Patient Safety and Clinical Quality Committee**

#### **Management**

Each major business unit is responsible for identifying risks, assessing the likelihood and potential impact of significant risks, and reporting to management's Executive Risk Steering Committee on actions to monitor, manage and mitigate significant risks.

The CFO, Chief Compliance Officer and General Counsel periodically report on the Company's risk management policies and practices to relevant Board Committees and to the full Board.

The Audit Committee is charged with the primary role in carrying out risk oversight responsibilities on behalf of the Board. Pursuant to its charter, the Audit Committee annually reviews our policies and practices with respect to risk

assessment and risk management, including discussing with management the Company's major risk exposures and the steps that have been taken to monitor and mitigate such exposures. The Audit Committee also reviews CVS Health's major financial risk exposures as well as major operational, compliance, cybersecurity, reputational and strategic risks, including developing steps to monitor, manage and mitigate those risks.

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Corporate Governance and Related Matters:

**The Board's Role and Activities in 2017**

Each of our other Board Committees is responsible for oversight of risk management practices for categories of risks relevant to their functions. For example, the Management Planning and Development Committee has oversight responsibility for our overall compensation structure, including review of its compensation practices, with a view to assessing associated risk. See "Compensation Risk Assessment" on page 25 for additional information.

As part of CVS Health's ongoing Enterprise Risk Management process, each of our major business units is responsible for identifying risks that could affect achievement of business goals and strategies, assessing the likelihood and potential impact of significant risks, prioritizing risks and actions to be taken in mitigation and/or response, and reporting to management's Executive Risk Steering Committee on actions to monitor, manage and mitigate significant risks.

Additionally, the CFO, Chief Compliance Officer and General Counsel periodically report on the Company's risk management policies and practices to relevant Board Committees and to the full Board. The Board is regularly updated on specific risks in the course of its review of corporate strategy, business plans and reports to the Board by its respective Committees.

The Board considers its role in risk oversight when evaluating our Corporate Governance Guidelines and its leadership structure. Both the Corporate Governance Guidelines and the Board's leadership structure facilitate the Board's oversight of risk and communication with management. Our independent Chairman and our CEO are focused on CVS Health's risk management efforts and ensure that risk matters are appropriately brought to the Board and/or its Committees for their review.

### **The Board's Role in Corporate Social Responsibility Oversight**

The Nominating and Corporate Governance Committee of the Board of Directors, pursuant to its charter, is formally charged with oversight of the Company's Corporate Social Responsibility (CSR) strategy and performance. The Company's Senior Vice President of Corporate Social Responsibility and Philanthropy regularly updates the Committee on CSR risks and opportunities, and the Committee provides feedback and direction on the Company's approach to key issues. The Committee also reviews the annual CSR Report, *Prescription for a Better World*, prior to its publication. It is available on the Company's website at <https://cvshealth.com/social-responsibility>.

### **Stockholder Outreach**

The Company values each of its stockholders and their opinions, and we regularly interact with our stockholders on a variety of matters. In late 2017 and early 2018, at the direction of the Board, the Company engaged in a robust stockholder outreach effort to best understand and address any concerns stockholders might have. Additional details regarding our outreach effort and the actions taken are found on pages 8 and 31 of this proxy statement.

Much of our dialogue with stockholders was focused on compensation-related matters, including the results of our most recent say-on-pay vote. The 61% vote in favor fell short of our expectations, and we received substantive feedback that resulted in changes to our compensation program. In addition to compensation-related matters, a number of corporate governance matters were discussed with our stockholders during the outreach process, including the 2017 stockholder proposal requesting a reduction in the threshold for our stockholders' right to call special meetings of stockholders, from 25% of our outstanding stock to 15%, which received a majority of votes in favor of the proposal. After careful consideration, the Board is recommending that our stockholders approve an amendment to the Company's Certificate of Incorporation and, following stockholder approval, will amend the Company's By-laws to fully effectuate the requested change.

We believe that taking the responsive actions summarized above will continue to strengthen our relationships with our stockholders and provide positive improvements in the areas identified.

### **Contact With the Board, the Chairman and Other Independent Directors**

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Stockholders and other parties interested in communicating directly with the Board, the independent Chairman of the Board or with the independent directors as a group may do so by writing to them care of CVS Health Corporation, One CVS Drive, MC 1160, Woonsocket, RI 02895. The Nominating and Corporate Governance Committee has approved a process for handling letters received by the Company and addressed to the Board, the independent Chairman of the Board or to independent members of the Board. Under that process, our Corporate Secretary reviews all such correspondence and regularly forwards to the Board copies of all correspondence that, in her opinion, deals with the functions of the Board or its Committees or that she otherwise determines requires their attention.

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Code of Conduct

**Board Structure and Processes**

CVS Health has adopted a Code of Conduct that applies to all of our directors, officers and employees, including our CEO, CFO and Chief Accounting Officer. Our Code of Conduct is available on our website at <http://investors.cvshealth.com> and will be provided to stockholders without charge upon request to our Corporate Secretary. We intend to post amendments to or waivers from our Code of Conduct (to the extent applicable to our executive officers or directors) at that location on our website within the timeframe required by SEC rules.

### Related Person Transaction Policy

In accordance with SEC rules, the Board has adopted a written Related Person Transaction Policy. The Audit Committee has been designated as the Committee responsible for reviewing, approving or ratifying any related person transactions under the Policy. The Audit Committee reviews the Policy on an annual basis and will amend the Policy as it deems appropriate.

Pursuant to the Policy, all executive officers, directors and director nominees are required to notify our General Counsel or Corporate Secretary of any financial transaction, arrangement or relationship, or series of similar transactions, arrangements or relationships, involving the Company in which an executive officer, director, director nominee, five percent beneficial owner or any immediate family member of such a person has a direct or indirect material interest.

The General Counsel or the Corporate Secretary presents any reported new related person transactions, and proposed transactions involving related persons that might be deemed to be related person transactions, to the Audit Committee at its next regular meeting, or earlier if appropriate. The General Counsel or Corporate Secretary provides the Audit Committee with an analysis and recommendation regarding each reported transaction. The Committee reviews these transactions, including the analysis and recommendation. The Audit Committee may conclude, upon review of all relevant information, that the transaction does not constitute a related person transaction, and thus that no further review is required under the Policy. If after its review, the Audit Committee determines not to approve or ratify a related person transaction, the transaction will not be entered into or continued, as the Audit Committee shall direct. The Audit Committee may ratify or approve a related person transaction if, upon consideration of all relevant information, the transaction is in, or not inconsistent with, the best interests of the Company and its stockholders.

**The Audit Committee reviewed certain transactions reported under the Policy and determined that no transactions constituted reportable related person transactions under the Policy.**

### Corporate Governance Guidelines

The Board has adopted Corporate Governance Guidelines, which are available on our investor relations website at <http://investors.cvshealth.com/corporate-governance/documents> and are also available to stockholders at no charge upon request to our Corporate Secretary. These Guidelines meet the listing standards adopted by the NYSE, on which our common stock is listed.

### Board Structure and Processes

#### The Board's Leadership Structure

David W. Dorman is our independent Chair of the Board. The independent Chair presides at all meetings of the Board, and works with our CEO to set Board meeting agendas and the schedule of Board meetings. In addition, the independent Chair has the following duties and responsibilities:

the authority to call, and to lead, independent director sessions;

the ability to retain independent legal, accounting or other advisors in connection with these sessions;

the responsibility to facilitate communication and serve as a liaison between the CEO and the other independent directors; and

the duty to advise the CEO of the informational needs of the Board.

The Board believes that Board independence and oversight of management will be maintained effectively through the independent Chair, the Board's composition and its Committee system.



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Corporate Governance and Related Matters:

**Committees of the Board****Committees of the Board**

In 2017, the Board utilized five standing committees. The table below provides membership and meeting information for each of the committees during 2017. For further details regarding current committee membership and activities see pages 22-27.

<b>Name</b>	<b>Audit Committee</b>	<b>Management Planning and Development Committee</b>	<b>Nominating and Corporate Governance Committee</b>	<b>Patient Safety and Clinical Quality Committee</b>	<b>Executive Committee</b>
Richard M. Bracken				<b>C</b>	†
C. David Brown II		<b>C</b>			
Alecia A. DeCoudreaux					
Nancy-Ann M. DeParle					
David W. Dorman			<b>C</b>		
Anne M. Finucane					
Larry J. Merlo					
Jean-Pierre Millon	*				
Mary L. Schapiro	*				
Richard J. Swift	<b>C</b> *				
William C. Weldon					
Tony L. White					
<b>2017 Meetings</b>	<b>9</b>	<b>6</b>	<b>4</b>	<b>4</b>	<b>0</b>

**C** Committee Chair

\* Audit Committee Financial Expert

† Mr. Bracken joined the Executive Committee in January 2018

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Corporate Governance and Related Matters:

**Committees of the Board**

**Audit Committee**

Each member of the Audit Committee is financially literate and independent of the Company and management under the standards set forth in applicable SEC rules and the Corporate Governance Rules of the NYSE. The Board designated each of Messrs. Swift and Millon and Ms. Schapiro as an audit committee financial expert, as defined under applicable SEC rules. The Board has approved a charter for the Committee, which can be viewed on our website at <http://investors.cvshealth.com> and also is available to stockholders without charge upon request to our Corporate Secretary.

**Current Committee Members**

(independent)

- 1 Mary Schapiro\*
- 2 Alecia DeCoudreaux
- 3 Richard Swift (Chair)\*
- 4 Nancy-Ann DeParle
- 5 Jean-Pierre Millon\*

\* Audit Committee Financial Expert

**Meetings in 2017: 9**

**Primary Responsibilities**

Pursuant to its charter, the Committee assists the Board in its oversight of:

the integrity of our financial statements;

the qualifications, independence and performance of our independent registered public accounting firm, for whose appointment the Committee bears principal responsibility;

the performance of our internal audit function;

our policies and practices with respect to risk assessment and risk management, including discussing with management the Company's major financial and cybersecurity risk exposures and the steps that have been taken to monitor and control such exposures;

compliance with, and approval of, our Code of Conduct;

the review of our information governance framework, including its privacy and information security programs, as well as the cybersecurity aspects of the information security program;

the review of our business continuity and disaster recovery program;

the review of our environmental, health and safety program;

the review and ratification of any related person transactions in accordance with our policy on such matters; and

our compliance with legal and regulatory requirements, including the review and oversight of matters related to compliance with Federal health care program requirements.

**Audit Committee Activities in 2017**

The Audit Committee met nine times in 2017 and each member of the Committee attended all of its meetings while he or she was a member. Four of the Committee's meetings were focused primarily on our quarterly financial reports, including our Form 10-K, Forms 10-Q and our related earnings releases. At each of these meetings the Committee reviewed the documents in depth with our CFO and our Chief Accounting Officer, as well as our Chief Compliance Officer (CCO), Chief Audit Executive, General Counsel and other key members of management. The Committee also received reports from our internal audit department and our independent outside audit firm, Ernst & Young. The Committee regularly meets with Ernst & Young outside the presence of management, and also meets individually with members of management, including the CCO, the chief compliance officer for

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Omnicare and the Chief Audit Executive. In addition to its responsibilities related to our financial statements, the Committee plays a primary role in risk oversight, including reviews of our enterprise risk management program, cybersecurity efforts, business continuity and disaster recovery program, privacy programs, and environmental, health and safety program. The Committee also reviews our legal and regulatory compliance program on a quarterly basis, including oversight of the Company's compliance with its Corporate Integrity Agreements, or CIAs. During 2017, the Committee provided the required annual certification of compliance with the Company's 2014 CIA related to PBM operations, and also provided oversight of the 2016 CIA related to CVS Health's institutional pharmacy services (long-term care) operations. The Committee provided the report found on page 29 of this proxy statement, recommending the inclusion of the Company's audited financial statements in its Form 10-K.

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Corporate Governance and Related Matters:

**Committees of the Board**

**Nominating and Corporate Governance Committee**

Each member of the Nominating and Corporate Governance Committee is independent of the Company and management under the standards set forth in the Corporate Governance Rules of the NYSE. The Board has approved a charter for the Committee, which can be viewed on our website at <http://investors.cvshealth.com> and also is available to stockholders without charge upon request to our Corporate Secretary.

**Current Committee Members**

(independent)

- 1 William Weldon
- 2 Anne Finucane
- 3 David Dorman (Chair)
- 4 Richard Bracken
- 5 David Brown

**Meetings in 2017: 4**

**Primary Responsibilities**

Pursuant to its charter, the Committee has responsibility for:

identifying individuals qualified to become Board members consistent with criteria approved by the Board;

recommending to the Board director nominees for election at the next annual or special meeting of stockholders at which directors are to be elected or to fill any vacancies or newly-created directorships that may occur between such meetings;

recommending directors for appointment to Board Committees;

making recommendations to the Board as to determinations of director independence;

evaluating Board and Committee performance;

considering matters of corporate governance and reviewing, at least annually, our Corporate Governance Guidelines and overseeing compliance with such Guidelines; and

reviewing and considering our policies and practices on issues relating to corporate social responsibility, charitable contributions, political spending practices and other significant public policy issues.

**Nominating and Corporate Governance Committee Activities in 2017**

The Nominating and Corporate Governance Committee met four times in 2017 and, except for one absence for one member of the Committee due to an unavoidable conflict, each member of the Committee attended all of its meetings. Throughout the year the Committee evaluated – and continues to evaluate – potential candidates for future election to the Board. In addition, the Committee reviewed the Company's political activities and expenditures in depth during two of its meetings, and reviewed the Company's corporate social responsibility roadmap, *Prescription for a Better World*, as well as the corporate social responsibility report itself. The Committee oversaw a review of all of the Company's principal governance documents in 2017, including its Certificate of Incorporation, By-laws, Corporate Governance Guidelines, and all Committee Charters, and recommended changes to each to simplify and harmonize the documents, as well as to adopt certain leading practices. The Committee also oversaw the evaluation process for the Board and its Committees in 2017, which consisted of an in-depth interview of each director by the Company's General Counsel. At the completion of the interview process, the General Counsel reviewed the results with the Committee and the Board, and a number of enhancements to the Board and Committee meeting process resulted. In addition, the Committee received updates regarding legal and regulatory developments related to corporate governance, as well as updates on the proxy season and stockholder communications.

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Corporate Governance and Related Matters:

**Committees of the Board**

**Management Planning and Development Committee**

Each member of the Management Planning and Development Committee is independent of the Company and management under the standards set forth in applicable SEC rules and the Corporate Governance Rules of the NYSE. No Committee member participates in any of our employee compensation programs and none is a current or former officer or employee of CVS Health or its subsidiaries. At its meetings, non-members, such as the CEO, the CFO, the Chief Accounting Officer; the Chief Human Resources Officer, the General Counsel, other senior human resources and legal officers, or external consultants, may be invited to provide information, respond to questions and provide general staff support. However, no CVS Health executive officer is permitted to be present during any discussion of his or her compensation or performance, and the Committee regularly exercises its prerogative to meet in executive session without management.

The Committee’s responsibilities are specified in its charter. The charter, as approved by the Board, may be viewed on our website at <http://investors.cvshealth.com> and also is available to stockholders without charge upon request to our Corporate Secretary.

**Primary Responsibilities**

Pursuant to its charter, the Committee:

- oversees our compensation and benefits policies and programs generally;
- evaluates the performance of designated senior executives, including the CEO;
- in consultation with our other independent directors, oversees and sets compensation for the CEO;
- oversees and sets compensation for our designated senior executives;
- reviews and recommends to the Board compensation (including cash and equity-based compensation) for our non-employee directors; and
- prepares and recommends to the full Board the inclusion of the Report of the Compensation Committee that is found on page 33 of this proxy statement.

The Committee may delegate its authority relating to employees other than executive officers and directors as it deems appropriate and may also delegate its authority relating to ministerial matters.

**Management Planning and Development Committee Activities in 2017**

The Management Planning and Development Committee met six times in 2017 and, except for one absence due to an unavoidable conflict, each member of the Committee attended all of its meetings. In addition to reviewing the independence of its advisor as described below, the Committee devoted substantial time to its oversight of the Company’s compensation and benefit programs as part of its annual governance process. This review is aimed at ensuring that the Company is providing its employees with compensation and benefit programs that are appropriate. The Committee received updates on compensation trends and legislative and regulatory developments. The Committee also reviewed the Company’s compensation programs, retirement, health and welfare plans applicable to all full-time employees. In addition, the Committee devoted considerable time to CVS Health’s stockholder outreach efforts and the feedback received from investors. The Committee’s review of executive compensation matters and its decisions, including changes made in response to input from our stockholders, is discussed in the Compensation Discussion and Analysis beginning on page 34 of this proxy statement.

**Current Committee Members**  
(independent)

- 1 William Weldon
- 2 Tony White
- 3 David Brown (Chair)
- 4 Anne Finucane
- 5 David Dorman

**Meetings in 2017: 6**

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Corporate Governance and Related Matters:  
Compensation Risk Assessment

**Committees of the Board**

The Committee is responsible for reviewing and assessing potential risk arising from the Company's compensation policies and practices. In 2017, the Company performed a comprehensive risk assessment of its compensation policies and practices to ascertain any potential material risks that may be created by the programs. Included in its assessment were all major components of the Company's compensation programs, including: the mix between annual and long-term compensation; short-term incentive program design; long-term incentive program performance measures; incentive plan performance criteria and corresponding objectives; a comparison of the Company's programs with those of its peer group; the Company's severance and change-in-control policies; its recoupment policy; its share retention requirements and ownership guidelines; and the Internal Audit Department's review of the controls regarding the Company's long-term incentive program. The Committee considered the findings of the assessment and concluded that the Company's compensation programs are aligned with the interests of its stockholders, appropriately reward pay for performance, and do not promote excessive risk-taking.

**Independent Consultant**

Exequity LLP is the Committee's independent compensation consultant. Exequity provides no other services to the Company. Exequity's fees for executive compensation consulting to the Committee for 2017 were \$246,154. During 2017, Exequity:

Collected, organized and presented quantitative competitive market data for a relevant competitive peer group with respect to executive officers' target, annual and long-term compensation levels;

Developed and delivered an annual Committee briefing on legislative and regulatory developments and trends in executive compensation and their implications for CVS Health;

Provided guidance, including relevant competitive market data, in support of discussions related to the design of our 2018 long-term incentive program; and

Analyzed market data and provided recommendations for non-employee director compensation to the Committee for approval by the Board.

The Committee believes that the advice it receives from Exequity is objective and not influenced by any other business relationship. The Committee and Exequity have policies and procedures in place to preserve the objectivity and integrity of the executive compensation consulting advice, including:

The Committee has the sole authority to retain and terminate the executive compensation consultant;

The consultant reports to the Committee Chair and has direct access to the Committee without management involvement;

While it is necessary for the consultant to interact with management to gather information, the Committee determines if and how the consultant's advice can be shared with management; and

The Committee regularly meets with the consultant in executive session, without management present, to discuss recommendations.

The Committee conducts an annual review of the independence of its compensation consultant, taking into account the standards above, the items required to be considered under the NYSE listing standards and applicable rules and regulations. The Committee determined that its compensation consultant is independent and that its consultant's work does not raise any conflicts.

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Corporate Governance and Related Matters:

**Committees of the Board**

**Patient Safety and Clinical Quality Committee**

Each member of the Patient Safety and Clinical Quality Committee is independent of the Company and management under the standards set forth in applicable SEC rules and the Corporate Governance Rules of the NYSE. The Board has approved a charter for the Committee, which can be viewed on our website at <http://investors.cvshealth.com> and also is available to stockholders without charge upon request to our Corporate Secretary.

In light of the Company's expanded offerings throughout the spectrum of health care, this Committee was formed in March 2016. Its focus is on oversight of the Company's medical- and pharmacy-related strategies and initiatives, matters relating to the advancement of quality of pharmacy and medical care, patient safety and patient experience, and the enhancement of access to cost-effective quality health care.

**2017 Committee Members**

(all independent)

- 1 Tony White
- 2 Alecia DeCoudreaux
- 3 Richard Bracken (Chair)
- 4 Nancy-Ann DeParle
- 5 Jean-Pierre Million

**Meetings in 2017: 4**

Primary Responsibilities

Pursuant to its charter, the Committee:

reviews significant medical and pharmacy related strategies and initiatives of the Company, and matters concerning efforts to (1) advance the quality of pharmacy and medical care, patient safety and experience, and (2) enhance access to cost-effective quality health care;

reviews matters and receives reports concerning the quality performance of the Company's (1) pharmacy and medical care, such as (a) dispensing, compounding, and infusion services and (b) nursing and medical clinic operations; (2) patient safety and experience; (3) the management of health care claims against the enterprise; and (4) regulatory activity related to pharmacy and health care;

takes such other actions and performs such services as may be referred to it from time to time by the Board, including the conduct of special reviews as it may deem necessary or appropriate to fulfill its responsibilities.

**Patient Safety and Clinical Quality Committee Activities in 2017**

The Patient Safety and Clinical Quality Committee met four times in 2017 and each member of the Committee attended all of its meetings. The Committee's meetings focused on a wide variety of matters related to the Company's provision of health care services across the enterprise, including retail, mail, specialty, specialty mail and long-term care pharmacy, retail clinic services provided by MinuteClinic, and drug compounding and infusion activities conducted by Coram and across the enterprise. The Committee received reports regarding regulatory activity by boards of pharmacy and nursing related to the Company. The Committee reviewed various issues related to patient safety, such as the Company's efforts to address the opioid crisis. The Committee received updates on health care-related claims against the Company, as well as steps being taken to minimize and mitigate those claims. The Committee also provided oversight in the development and enhancement of a number of scorecards in various lines of business, and other efforts to measure and improve patient safety and clinical effectiveness.



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Corporate Governance and Related Matters:

**Board Meetings and Attendance**

### **Executive Committee**

At all times when the Board is not in session, the Executive Committee may exercise most of the powers of the Board, as permitted by applicable law.

The Executive Committee did not meet during 2017.

Mr. Bracken, Chair of the Patient Safety and Clinical Quality Committee, was added to the Executive Committee in January 2018.

### **2017/18 Committee Members**

- 1 Richard Bracken
- 2 Larry Merlo
- 3 David Dorman
- 4 David Brown
- 5 Richard Swift

**Meetings in 2017:** None

## **Board Meetings and Attendance**

During 2017, there were twelve meetings of the Board. Directors are expected to make every effort to attend the Annual Meeting, all Board meetings and the meetings of the Committees on which they serve. All of our directors at the time of our 2017 Annual Meeting of Stockholders attended that Annual Meeting. In 2017, all directors attended more than 75% of the meetings of the Board and the Committees of which he or she was a member, with attendance averaging over 97%.

One Board meeting was our annual meeting of independent directors. The independent directors also regularly hold executive sessions during regularly scheduled Board meetings in which our management does not participate.

## **Non-Employee Director Compensation**

CVS Health's approach to compensating non-employee directors for Board service is to provide directors with an annual retainer comprised of a mandatory 75% paid in shares of our common stock and 25% paid in cash (or up to 100% stock at the director's election). The payment of a significant portion of the annual retainer, and additional retainers as outlined below, in our common stock is consistent with our policy of using equity compensation to better align directors' interests with stockholders. This also enhances the directors' ability to meet and continue to comply with our stock ownership guidelines described below.

For the 2017-2018 Board year, the total annual retainer for non-employee directors remained \$280,000, consisting of shares of our stock valued at \$210,000 (the mandatory annual stock retainer) and a cash payment of \$70,000 (unless the director elected to receive up to 100% of the annual retainer in shares of our common stock).

Additional retainers were paid to the Chairs of the Committees and the Board as follows: Nominating and Corporate Governance, \$15,000; Patient Safety and Clinical Quality, \$15,000; Management Planning and Development, \$20,000; Audit, \$25,000; and Independent Chairman of the Board, \$275,000.

At least 75% of each additional retainer must be paid in shares of our common stock, with the remaining 25% paid in cash, unless the director elects to be paid an additional percentage in shares. Each retainer was paid in two equal installments, in May and November of 2017. Directors may elect to defer receipt of shares; deferred shares are credited with dividend equivalents to the extent dividends are paid to stockholders. There are no meeting fees.





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Corporate Governance and Related Matters:

Non-Employee Director Compensation

**Non-Employee Director Retainer Mix**

**All Other Compensation and Benefits**

Directors are eligible to participate in the employee discount program and are subject to the same terms of the program as our employees. Directors are generally reimbursed for business expenses incurred directly in connection with their roles and duties on the Board, such as services provided by an executive assistant, travel, meals and lodging. We allow all directors to enroll themselves and their eligible dependents in our prescription drug benefit program, paying the same premium rates as employees. If a director retires from the Board with at least five years of service, we will allow continued participation in the prescription drug benefit plan for life, but the director must bear the full cost of the premium after retirement.

The following table shows amounts paid to each of our non-employee directors in 2017.

**Non-Employee Director Compensation – 2017**

Name	Fees Earned and Paid in Cash <sup>1</sup> (\$)	Cash Fees Elected to be Paid in Stock <sup>2</sup> (\$)
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