

# CVS HEALTH CORPORATION

A Delaware corporation  
(the “Company”)

## Corporate Governance Guidelines

Amended as of January 25, 2018

The Board of Directors (the “Board”) of CVS Health Corporation has adopted these guidelines to promote a high level of performance from the Board and management, to promote the interests of stockholders and to further the Company’s commitment to best practices in corporate governance.

### **1. Composition of the Board and Board Membership Criteria; Director Qualifications; Election of Directors**

#### Director Qualifications

Candidates should be distinguished individuals who are prominent in their fields or otherwise possess exemplary qualities that shall enable them to effectively function as directors of the Company. The Nominating and Corporate Governance Committee shall focus 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. The Nominating and Governance Committee may also consider any other factors that it may determine to be relevant and appropriate.

#### Independence

At least a substantial majority of the Board shall be comprised of directors meeting the independence requirements of the NYSE. The Board shall make an affirmative determination at least annually as to the independence of each director. The Board may from time to time establish categorical standards to assist it in making independence determinations. The categorical standards currently established by the Board are attached hereto as Annex A.

#### Director Nominations

The Nominating and Corporate Governance Committee shall recommend individuals for membership on the Company’s Board of Directors. In making its recommendations, the Nominating and Corporate Governance Committee shall:

- review candidates’ qualifications for membership on the Board (including making a specific recommendation as to the independence of the candidate) based on the criteria approved by the Board (and taking into account any independence, financial literacy and financial expertise standards that may be required under applicable law, rules or regulations, of the New York Stock

Exchange (“NYSE”) and Securities and Exchange Commission (the “SEC”) promulgated from time to time); and

- periodically review the composition of the Board and its committees, including the chairs of each committee, in light of all of the factors the Nominating and Corporate Governance Committee deems relevant.

The Board proposes a slate of nominees for consideration each year. Between annual meetings, the Board may select one or more directors to serve until the next annual meeting. The Nominating and Corporate Governance Committee identifies, investigates and recommends prospective directors to the Board. Stockholders may recommend a nominee by writing to the Corporate Secretary in accordance with the Company’s By-Laws. All recommendations are brought to the attention of the Nominating and Corporate Governance Committee.

#### Board Size

The By-Laws of the Company allow for between 3 and 18 members of the Board. Although the Board considers its present size to be appropriate, it may consider expanding its size to accommodate its needs or reducing its size if the Board determines that a smaller Board would be more appropriate. The Nominating and Corporate Governance Committee shall periodically review the size of the Board and recommend any proposed changes to the Board.

#### Annual Election of Directors

All directors are elected annually by the stockholders. The Company does not have staggered terms and does not elect directors for longer periods. Any vacancies on the Board may be filled or new directors appointed by the Board between annual meetings of stockholders, but any such appointment shall only remain in effect until the next annual meeting of stockholders, when any such appointee shall be presented to the stockholders for election.

#### Majority Voting for Directors

In an uncontested election, each director shall be elected by the vote of the majority of the votes cast with respect to that director’s election at a meeting of stockholders for the election of directors at which a quorum is present. A majority of votes cast means that the number of votes “for” a director’s election must exceed fifty percent (50%) of the votes cast with respect to that director’s election.

In a contested election, the nominees receiving a plurality of the votes cast by holders of shares entitled to vote in the election at a meeting at which a quorum is present shall be elected. An election shall be considered contested if the number of nominees for election of directors exceeds the number of directors to be elected.

In order for any incumbent director to become a nominee of the Board for further service on the Board of Directors, such person must submit an irrevocable resignation, which resignation shall become effective upon (a) that person not

receiving a majority of the votes cast in an election that is not a contested election, and (b) acceptance by the Board of that resignation in accordance with the policies and procedures adopted by the Board for such purpose.

In the event that an incumbent director does not receive a majority of the votes cast in an election, the Board, acting on the recommendation of the Nominating and Corporate Governance Committee, shall 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 corporation for an unsuccessful incumbent to remain as a director, no such person shall be elected by the Board to serve as a director, and the Board shall accept that person's resignation.

As set forth in the By-Laws, if the Board determines to accept the resignation of an unsuccessful incumbent, the Nominating and Corporate Governance Committee shall recommend a candidate to the Board to fill the office formerly held by the unsuccessful incumbent, unless the Board decides to decrease the size of the Board.

#### Term Limits

Although the Board does not believe it should establish term limits, the Board shall periodically review the appropriateness of director term limits in connection with its procedures for the selection and nomination of directors. While term limits could help ensure that there are fresh ideas and viewpoints available to the Board, they hold the disadvantage of losing the contributions of directors who have been able to develop, over a period of time, increasing insight into the Company and its operations and, therefore, provide an increasing contribution to the Board as a whole.

The Board believes the annual assessment of the Board's and each director's performance provides the Board the information necessary to confirm the desirability of each director continuing as a member of the Board.

#### Retirement Age

The current mandatory retirement age for directors is 74. 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 mandatory retirement age for a specific director in exceptional circumstances. Such waiver must be renewed annually.

#### Simultaneous Service on Other Public Company Boards or Audit Committees

It is the policy of the Board that every director must notify the Board prior to accepting any invitation to serve on another public company corporate board and/or

another public company corporate board's audit committee. The Nominating and Corporate Governance Committee shall evaluate the continued appropriateness of Board and/or committee membership under the new circumstances and make a recommendation to the Board as to any action to be taken with respect to continued Board and/or committee membership.

If a member of the Board wishes to serve on the board of directors of more than a total of five public companies, including the Company's Board, the director must seek Board approval prior to accepting the additional service.

If a member of the Audit Committee wishes to serve on the audit committees of more than a total of three public companies, including the Company's Audit Committee, the director must seek Board approval prior to accepting the additional service.

#### Changes in Primary Employment

It is the policy of the Board that every director must notify the Board of his or her retirement from present employment, any change in employer and any other significant change in professional roles and responsibilities. Such a director should also offer not to stand for reelection as a director. The offer not to stand for reelection should be initially communicated to the Board.

It is not the sense of the Board that such directors should necessarily leave the Board. There should, however, be an opportunity for the Nominating and Corporate Governance Committee to evaluate the continued appropriateness of Board membership under the new circumstances and make a recommendation to the Board as to any action to be taken with respect to continued Board membership.

#### Conflicts of Interest

If an actual or potential conflict of interest develops because of a change in the business of the Company, or in a director's circumstances (for example, significant and ongoing competition between the Company and a business with which the director is affiliated), the director should report the matter immediately to the General Counsel or the Chief Compliance Officer who shall, where appropriate, report the matter to the Board or Nominating and Corporate Governance Committee for evaluation and appropriate resolution. The Company's Code of Conduct contains a complete description of the Company's policies regarding conflicts of interest.

If a director has a personal interest in a matter before the Board, the director shall disclose the interest to the full Board, shall recuse himself or herself from participation in the discussion and shall not vote on the matter.

## **2. Director Responsibilities**

The Board acts as the ultimate decision-making body of the Company and advises and oversees management, who are responsible for the day-to-day operations and management of the Company. In fulfilling this role, each director must act in

what he or she reasonably believes to be in the best interests of the Company and must exercise his or her business judgment.

#### Participation at and Preparation for Board Meetings

The Company expects directors to be active and engaged in discharging their duties and to keep themselves informed about the business and operations of the Company. Directors are expected to make every effort, absent unavoidable circumstances, to attend all Board meetings and the meetings of the committees on which they serve and to prepare themselves for these meetings. Directors are expected to attend the Company's annual meeting of stockholders. A Director who is unable to attend a meeting, which may occur, is expected to notify the Chair of the Board (the "Chair") or the chair of the relevant committee before any such meeting.

In order for the Board to exercise fully its oversight functions, management provides the Board with access to information regarding the Company and the markets in which the Company operates. This information comes from a variety of sources, including management reports, security analysts' reports, information regarding peer performance, interaction with senior management at Board meetings and visits to Company facilities. Any written materials that assist directors in preparing for a Board or committee meeting shall be distributed to the directors in advance of the meeting, to the extent possible, and directors are expected to review such materials prior to the meeting. The Chair shall advise the CEO of the Board's informational needs.

#### Company Performance and Corporate Strategy

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. These reviews include the views of management as well as those of investors and securities analysts.

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.

#### Confidentiality

The proceedings and deliberations of the Board and its committees, including the information provided to directors, are confidential.

### **3. Board and Committee Meetings**

The Chair and the CEO, working together, shall determine the frequency and length of Board meetings and the appropriate schedule of Board meetings, and shall set the agenda for each Board meeting. Directors are encouraged to suggest the inclusion of additional items on an agenda, and any director may request that an item be placed on an agenda. In addition, each director is encouraged to raise at any

Board meeting subjects that are not on the agenda for that meeting. The Board shall meet at least four times each year and at such other times as it determines is appropriate to carry out its responsibilities.

The chair of each committee, in consultation with its members and subject to the applicable committee's charter, determines the frequency of the meetings of the committee. The chair of each committee, in consultation with the appropriate members of management, shall develop the agenda for meetings of the committees. Each director who is a member of a committee may recommend agenda items, and is free to raise any subjects that are not on the agenda for a particular meeting.

#### **4. Meetings of and Contact with Non-Management Directors**

The Company's non-management directors shall regularly schedule executive sessions in which management does not participate. If this group includes directors who do not meet the independence standards of the NYSE, the directors who are deemed independent shall also meet in executive session at least once a year.

The Chair has the authority to call, and shall lead, non-management director and independent director sessions. The Chair may retain independent legal, accounting or other advisors in connection with these sessions, and the Company shall provide appropriate funding. In the event the Chair is not present, the chairs of the Audit, Management Planning and Development, and Nominating and Corporate Governance Committees shall respectively act as presiding director at meetings or executive sessions of non-management directors (or parts thereof) at which the principal items to be considered are within the scope of the applicable committee.

The Company shall publicly disclose in the annual proxy statement the method for interested parties to communicate directly with the Chair or with the non-management directors as a group.

#### **5. Chair of the Board and Chief Executive Officer**

The Board believes it is important to retain its flexibility to allocate the responsibilities of the offices of Chair and CEO in any way that is in the best interests of the Company at a given point in time. The Board shall periodically make a determination as to the appropriateness of its then current policies in connection with the recruitment and succession of the Chair and/or the CEO.

#### **6. Board Committees**

The Board shall have at all times an Audit Committee, a Management Planning and Development Committee and a Nominating and Corporate Governance Committee. The Board also has a Patient Safety and Clinical Quality Committee and an Executive Committee. Subject to any changes that the Board may make from time to time:

- the Audit Committee shall generally be responsible for overseeing the integrity of the Company's financial statements, its independent auditor, its internal audit function, compliance by the Company with legal and regulatory requirements and overseeing the Company's Code of Conduct;
- the Management Planning and Development Committee shall generally be responsible for overseeing the Company's compensation and benefits policies, evaluating CEO and senior executive performance and recommending compensation and overseeing director compensation;
- the Nominating and Corporate Governance Committee shall generally be responsible for identifying qualified Board candidates, recommending director nominees and appointments to Board committees, evaluating Board performance and overseeing matters of corporate governance, including the Company's Corporate Governance Guidelines;
- the Patient Safety and Clinical Quality Committee shall generally be responsible for overseeing the Company's policies and procedures relating to the delivery of quality pharmacy and medical care to its customers and patients including clinical quality, patient safety and experience, the management of health care claims against the enterprise, and regulatory review by Boards of Pharmacy and Nursing; and
- the Executive Committee, subject to exceptions set forth in its charter, shall generally be responsible for exercising the powers of the Board during times when the full Board is unable to meet.

Each of the committees shall operate pursuant to its own written charter. These charters shall, among other things, set forth the purpose, goals and responsibilities of the particular committee, the procedures for committee member appointment and removal and committee structure and operations, as well as reporting to the Board. The charters shall also provide for an annual evaluation of each committee's performance.

Only independent directors meeting the independence requirements of the NYSE and, for audit committee members, Rule 10A-3 of the Securities Exchange Act of 1934 and any other rules promulgated by the SEC, may serve on the Audit, Management Planning and Development and Nominating and Corporate Governance Committees. Committee members shall be appointed by the Board based upon the recommendation of the Nominating and Corporate Governance Committee, except for the Nominating and Corporate Governance Committee, which is directly appointed by the independent members of the Board. The Board may, from time to time, establish or maintain additional committees as it deems appropriate and in the best interests of the Company.

The Board designates committee chairs and members upon the recommendation of the Nominating and Corporate Governance Committee, taking into account the skills, experience and interests of individual Board members and suggestions of the Chair.

In making its recommendations for committee appointments, the Nominating and Corporate Governance Committee shall:

- take into account candidates' particular experience, knowledge of the Company, the needs of the Board and the preferences of individual directors;
- review candidates' qualifications for membership on the committee (including a specific recommendation as to the independence of each candidate) based on the criteria approved by the Board (including those criteria set forth in Annex A to the Nominating and Corporate Governance Committee charter) and taking into account any independence, financial literacy and financial expertise standards that may be required under applicable law, rules or regulations, including NYSE and SEC rules; and
- periodically review the composition of the committee, including its chair.

While the rotation of committee members at certain set intervals should be considered periodically, rotation is not required because the Board believes there are significant benefits attributable to continuity, experience gained in service on a particular committee over time and utilizing most effectively the individual talents of directors.

#### **7. Director Access to Management and Independent Advisors**

Directors shall have complete access to the management and employees of the Company and to its outside counsel and auditors. Any meetings or contacts that a director wishes to initiate may be arranged through the CEO, the General Counsel or the Corporate Secretary.

Executive officers and other members of senior management are expected to be present at Board meetings at the invitation of the Board. Furthermore, the Board encourages the continuation of the long-standing practice of bringing managers into Board meetings from time to time who: (a) can provide additional insight into the items being discussed or (b) senior management believes have future potential as prospective leaders.

The Board has the sole authority to retain and terminate legal, financial or other advisors that the Board may consider necessary, without conferring with or obtaining the approval of management. The Board has the sole authority to approve all of such advisors' fees and other retention terms and shall have available appropriate funding from the Company. The Board is directly responsible for the appointment, compensation and oversight of any such advisor's work.

Each committee is authorized to hire legal, financial or other advisors as it may consider necessary, without conferring with or obtaining the approval of management or the full Board, in accordance with its charter. Each committee shall, as applicable, consider relevant independence criteria, including NYSE listing standards, when retaining advisors.



## **8. Director Compensation**

The Management Planning and Development Committee shall review and recommend to the Board compensation (including stock option grants and other equity-based compensation) for the Company's directors. In so reviewing and recommending director compensation, the Committee shall:

- identify corporate goals and objectives relevant to director compensation;
- evaluate the performance of the Board in light of such goals and objectives and set director compensation based on such evaluation and such other factors as the Management Planning and Development Committee deems appropriate and in the best interests of the Company; and
- recommend any long-term incentive component of director compensation based on the awards given to directors in past years, the Company's performance, stockholder return and the value of similar incentive awards relative to such targets at comparable companies and such other factors as the Management Planning and Development Committee deems appropriate and in the best interests of the Company.

Changes in director compensation, if any, should come at the recommendation of the Management Planning and Development Committee, but with full discussion and concurrence by the Board.

### Charitable Contributions

Proposed charitable contributions to tax exempt organizations by the Company within any given fiscal year of the Company in an aggregate amount that exceeded the greater of \$120,000 or 2% of the entity's gross revenues, to an entity for which a director or a member of his or her immediate family serves as a director, officer or member of such entity's fund-raising organization or committee, shall be subject to prior review and approval by the Nominating and Corporate Governance Committee.

The Nominating and Corporate Governance Committee shall be provided on an annual basis with a report from management of the charitable contributions to tax exempt organizations made by the Company during the fiscal year in an amount that exceeded the greater of \$120,000 or 2% of the entity's gross revenues, to an entity for which a director or executive officer, or a member of his or her immediate family, serves as a director, officer or member of such entity's fund-raising organization or committee.

## **9. Director Orientation and Continuing Education**

All new members of the Board are encouraged to participate in the Company's orientation program for directors. Other directors may also attend the orientation program.

All directors are encouraged to participate in continuing education programs, with any associated expenses to be reimbursed by the Company, in order to stay current and knowledgeable about the business of the Company.

Such orientation and continuing education programs shall be overseen by the Nominating and Corporate Governance Committee of the Board.

## **10. Stock Ownership**

The Board believes that directors and executive officers should hold meaningful equity ownership positions in the Company in order to demonstrate the alignment of the interests of the Company's directors with those of the Company's stockholders. The Company's director share ownership guidelines require all non-employee directors to own a minimum of 10,000 shares of the Company's common stock within five years of being elected to the Board, and retain ownership of a minimum of 10,000 shares for at least six months after leaving the Board.

The Company also requires all executive officers who are members of the Company's Business Planning Committee to own a minimum of shares having a value equal to five times salary, in the case of the Chief Executive Officer (the "CEO"), and three times salary in the case of the other members of the Business Planning Committee, within five years of being elected to the Business Planning Committee.

## **11. Management Evaluation and Management Succession**

The Management Planning and Development Committee shall annually evaluate the performance of the senior management of the Company with reference to objective criteria including performance of the business, accomplishment of long-term strategic objectives, development of management and such other factors as the Committee deems appropriate and in the best interests of the Company. The Management Planning and Development Committee shall present its findings regarding the performance of the senior management team to the full Board.

The Management Planning and Development Committee together with the Board's other independent directors shall annually set the CEO's compensation based on such Committee's annual performance evaluation. In addition, the Management Planning and Development Committee shall set each other senior manager's compensation based on its annual performance evaluation.

The Board shall review the Management Planning and Development Committee's report in order to ensure that management's performance is satisfactory and that management is providing the best leadership for the Company in the long and short-term.

The Board shall review 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 shall provide 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 shall also provide to the Board, on an ongoing basis, his or her recommendation as to a successor in the event of an unexpected emergency.

## **12. Diversity**

The Board shall periodically review the Company's efforts to promote diversity in its workforce.

## **13. Annual Board, Committee and Director Performance Evaluations**

The Board, led by the Nominating and Corporate Governance Committee, shall establish and conduct an annual self-evaluation to determine whether it and its committees are functioning effectively. In addition, each committee shall establish and conduct an annual self-evaluation to determine whether it is functioning effectively in accordance with its respective charter. It is the policy of the Board to have the Nominating and Corporate Governance Committee assess, on the basis of established criteria, the qualities, performance and professional responsibilities of each individual director standing for re-election at the next stockholders' meeting and to evaluate the composition of the Board and the challenges and needs of the Board at that time. These evaluations and assessments shall provide the basis for the Board's recommendation of a slate of directors to the stockholders.

## **14. Board Interaction with Institutional Investors, the Press, Customers and other Interested Parties**

The Board believes that the management speaks for the Company and the Chair speaks on behalf of the Board. Individual directors may, from time to time, meet or otherwise communicate with various constituencies that are involved with the Company. Accordingly, it is expected that individual directors shall meet or otherwise communicate with constituencies that are involved with the Company only with the knowledge and agreement of the Company's management or the Board.

Interested parties wishing to communicate their concerns or questions about the Company to the independent directors may do so by contacting the Corporate Secretary. The Corporate Secretary shall also coordinate any requests from stockholders for additional communications with the Chair.

## **15. Related Persons Transactions Policy**

The Board has adopted a Related Persons Transaction Policy whereby the Audit Committee is responsible for reviewing, approving or ratifying any related person transactions under the policy. Pursuant to the policy, all executive officers, directors and director nominees are required to notify the General Counsel or Secretary of any financial transaction, arrangement or relationship, or series of similar transactions, arrangements or relationships, involving the Company in and an executive officer, director, director nominee, five percent beneficial owner or any immediate family member of such a person.

## **16. Recoupment Policy**

The Company has a Recoupment Policy that applies to all annual and long-term incentive awards granted to executive officers. The policy applies in cases where financial or operational results used to determine an award amount are meaningfully altered based on fraud or material financial misconduct (collectively, “Misconduct”), as determined by the Board, and apply to any executive officer determined to have been involved in the Misconduct. The policy applies to Misconduct committed during the performance period that is discovered during the performance period or the three-year period following the performance period. The policy allows the Company to recoup the entire award, not only excess amounts generated by the Misconduct, subject to the determination of the Board, and the policy may apply even where there is no financial restatement.

## **17. Confidential Stockholder Voting Policy**

The Company has a confidential voting policy to protect stockholders’ voting privacy. Under this policy, ballots, proxy forms and voting instructions returned to brokerage firms, banks and other holders of record are kept confidential. Only the proxy solicitor, proxy tabulator and the Inspector of Election have access to the ballots, proxy forms and voting instructions. None of these persons is an employee of the Company.

## **18. Review of Guidelines**

The Nominating and Corporate Governance Committee shall review these Corporate Governance Guidelines and related corporate governance documents at least annually and recommend any proposed changes to the Board for approval.

**Categorical Standards to  
Assist in Director Independence Determinations**

Any relationship or set of facts that falls within the following standards or relationships will not, in itself, preclude a determination of independence.

- (1) *Commercial or investment banking relationships.* A situation in which a director or an immediate family member of a director is an employee of a commercial or investment bank that has relationships or dealings with or provides services to the Company that do not cross the bright-line tests referred to in paragraph (3) below.
- (2) *Ordinary course commercial relationships.* A situation in which a director (or a member of his or her immediate family) is a director, officer, employee or significant stockholder of an entity with which the Company has ordinary course business dealings that do not cross the bright-line tests referred to in paragraph (3) below and where the director (or immediate family member) is not directly responsible for or involved in the entity's business dealings with the Company.
- (3) *NYSE Listed Company Bright-Line Tests.* Any relationship or set of facts that falls within the standards permitted by the bright-line tests set forth in Section 303A.02(b)(i)-(v) of the NYSE's Listed Company Manual. (For example: an arrangement whereby a director's son received a one-time payment of \$50,000 for consulting work to the Company in the past year would fall within the range of payment permitted by Section 303A.02(b)(ii) and not be preclusive of an independence determination for that director.)