

## **Tier II Policy**

CVS Caremark has long recognized the benefits gained from a multi-cultural and diverse organization. We have also made a strong commitment to leveraging diversity in human capital recruitment, retention and growing a qualified diverse supplier base. Our Supplier Diversity staff is working hard to increase the utilization of diverse suppliers. The expectation is to connect diverse suppliers with business opportunities for products and services to sustain our growing business.

We are now taking our Supplier Diversity Program to a new level by implementing a Tier II Diverse Supplier Program. In addition to monitoring our purchases to ensure we have diverse suppliers providing quality goods and services, we now monitor our large Tier I valued suppliers to ensure the inclusion of diverse suppliers within their own supply chain. This helps to illustrate that CVS Caremark is not only committed to the use of diverse suppliers in our organization, but also doing businesses with suppliers that are committed to the use of diverse suppliers as well. Our Tier II Diverse Supplier Program will allow us to see collectively the reported diverse supplier spend from all of our Tier I suppliers.

The overall objective is to encourage the development of sustainable opportunities for diverse suppliers to participate in the procurement processes. Therefore, all parties, including the prime, Tier I suppliers, second tier suppliers and advocacy groups must help develop and encourage the Second Tier Program. This includes setting realistic expectations during early phases of implementation with the stated intention of working toward an optimal utilization capability. Our Tier II Program for Tier I suppliers that are just starting their Second Tier Program includes direct and indirect diverse supplier purchases. Our Tier II Program for mature Tier I suppliers also includes direct and indirect diverse supplier purchases, but utilizes a more stringent standard.

The CVS Caremark Tier II Program serves as an enhancement to, and not as a replacement for, existing efforts aimed at increasing meaningful opportunities for diverse suppliers to participate as first tier suppliers.