

CVS Pharmacy Returned Goods Policy

The CVS Pharmacy (“CVS”) Returned Goods Policy (“the Policy”) reflects the binding terms around returned goods for all suppliers doing business with CVS. To indicate their preferred method of disposition, all suppliers are to review this revised policy and return, within 30 days of receipt, a completed copy of the attached Alternate Disposition Method Selection Form. This policy cannot be altered in any way. This policy is effective as of August 15, 2022, replacing any prior versions of the CVS Pharmacy Unsaleable Merchandise Policy. CVS PHARMACY RESERVES THE RIGHT TO DETERMINE FINAL DISPOSITION OF THE PRODUCT.

Returned Goods

This policy establishes the rights, responsibilities, and procedures for the handling of Returned Goods. The terms goods, merchandise, and product(s) have the same meaning and may be used interchangeably herein. Returned Goods include any merchandise that is removed from the channel of distribution. Returned Goods shall be handled either as Unsaleable Merchandise, a Product Withdrawal, or as a Product Recall as defined below.

Removal of Unsaleable Merchandise

Unsaleable Merchandise is product removed from the channel of distribution based on its non-ability to sell from current store or DC location. CVS may remove from distribution and process for final disposition any product that in its sole discretion is expired, short dated, damaged (such as improperly sealed, crushed, dented, collapsed, soiled, or leaking product), because a selling event or promotion has ended, or in the case of a high-risk customer return.

Product Withdrawal

A Product Withdrawal is the removal of merchandise from the channel of distribution for any reason other than removal of Unsaleable Merchandise or a Product Recall. CVS may initiate a Product Withdrawal for any product that in its sole discretion is overstocked, discontinued, or otherwise unsaleable or to protect CVS’s brand, reputation, or customer goodwill without regard for whether the product is unsaleable for other reasons (“Withdrawn Product”). Removal of product at Supplier’s request for any reason other than a Product Recall shall be treated as a Product Withdrawal. CVS shall have sole discretion to resolve any ambiguity as to whether removal of unsaleable product should be treated as Unsaleable Merchandise, a Product Withdrawal, or a Product Recall under this policy.

Product Recall

A Product Recall is any voluntary or involuntary removal of merchandise from the channel of distribution as a result of an actual or potential product hazard or defect, the failure to comply with any law or regulation including without limitation those governing product labeling, the failure to meet a product specification contained in any agreement between CVS and Supplier, or an order or request of any local, state, or federal agency such as the U.S. Food and Drug Administration, the U.S. Environmental Protection Agency, or the U.S. Consumer Product Safety Commission. CVS may initiate a Product Recall relating to any product which in its sole discretion is defective (including but not limited to packaging, labeling, and fixtures), poses an actual or potential hazard, or fails to comply with any applicable law or regulation. CVS shall have sole discretion to resolve any ambiguity as to whether removal of unsaleable product should be treated as a Product Recall under this policy.

Charges for Product Withdrawal and Unsaleable Merchandise

In the event of a Product Withdrawal or removal of Unsaleable Merchandise, Supplier shall be responsible for the product cost, handling costs, disposal costs, and processing costs as set out below unless CVS determines in its sole discretion that a different allocation of responsibility applies. The product cost plus any applicable handling, disposal, and processing costs together are the Product Withdrawal Charge. The Product Withdrawal Charge may vary depending on the reason for the withdrawal.

For all products subject to Product Withdrawal or removal of Unsaleable Merchandise, Supplier will be responsible for the following Product Cost and Handling Costs as indicated:

1. Product Cost

CVS will charge its current cost on file for the product before discounts and allowances. If the current cost on file has decreased, CVS will continue to charge the higher cost of the product for a period of 90 days following the decrease.

2. Handling Costs

Any handling cost for nonreturnable items is in addition to, and does not alter in any way, any fees that suppliers may incur under a different provision in this policy. Handling costs may consist of one or more of the following for damaged product (note: certain fees, including third-party handling fees are subject to change and will be updated accordingly in this policy):

- a. Pre-Damage Handling (DPH) – CVS uses the category Direct Product Cost (DPC) rate of \$0.12 per consumer unit.
- b. Post -Damage Handling (Post)– CVS uses the rate for average-cost operators for Store-identified damage. That rate is \$0.16 per consumer unit
- c. Reclamation Center Handling (RCC) – CVS uses a weighted average rate across all product classes for the disposition options of Donate, Return to Supplier, and Supplier Pick Up. These are the only disposition options available, and the rates are:
 - i. Donate –\$0.20 per consumer unit
 - ii. Return to Supplier:
 - a. Open Return Authorization Provided by Supplier \$0.31 per consumer unit
 - b. Open Return Authorization Not Provided by Supplier \$0.35 per consumer unit
 - iii. Hold for Supplier Pickup - \$0.32 per consumer unit
- d. The following summarizes the handling costs for damaged products in CVS stores depending on freight and disposal arrangements:

RETURN TO SUPPLIER (Open RA Provided)-CVS to pay freight

DPC	Post	RCC	Total Cost per Piece
\$0.12	\$0.16	\$0.31	\$0.59

RETURN TO SUPPLIER (No Open RA Provided) –CVS to pay freight

DPC	Post	RCC	Total Cost per Piece
\$0.12	\$0.16	\$0.35	\$0.63

HOLD FOR SUPPLIER PICKUP – Supplier to pay freight

DPC	Post	RCC	Total Cost per Piece
\$0.12	\$0.16	\$0.32	\$0.60

DONATE/DISPOSAL AT CVS'S DISCRETION

DPC	Post	RCC	Total Cost per Piece
\$0.12	\$0.16	\$0.20	\$0.48

- e. The following summarizes the handling costs for discontinued, outdated and overstock products in CVS stores depending on freight and disposal arrangements:

DISCONTINUED – CVS to pay freight

Pre-Damage (DPC)	Post	RCC Handling Charge	Total Cost per Piece
\$0.12	\$0.16	\$0.25	\$0.53

- f. CVS reserves the right to determine final disposition of any unsaleable merchandise that cannot be returned to Supplier. Such disposition methods include but are not limited to liquidation, donation, or disposal. Disposal by CVS of non-regulated/non-hazardous product will be charged at \$0.48 per consumer unit.
- g. For merchandise held in a CVS Distribution Center, the handling fee will be \$0.20 per consumer unit for damaged, outdated, overstocked, or discontinued product.

3. Disposal of Regulated/Hazardous Product

If Withdrawn Product or Unsaleable Merchandise cannot be returned to Supplier and must be disposed of by CVS as regulated/hazardous waste, an additional cost of \$2.85 per unit (one-half of the total per unit cost of regulated/hazardous waste disposal) will be charged to the Supplier for any product that CVS disposes of as regulated/hazardous waste. The determination of whether a product is a regulated/hazardous waste shall be in CVS's sole discretion. All suppliers must complete the [Mandatory WERCS Registration](#) on cvssuppliers.com to ensure your products are in alignment with federal, state, local laws and regulations for consumer products.

If CVS is required to dispose of merchandise as regulated/hazardous waste as a result of Supplier's discontinuing or withdrawing the product, then Supplier will be responsible for the total per unit cost of \$5.70 for regulated/hazardous waste disposal.

4. Damaged Product Organic Waste

In select locations, CVS utilizes a third-party organics recycler to manage damaged non-returnable organic items in accordance with state and local regulations that prohibit landfill disposal of organics. Organic waste, as defined by California AB1826, means food waste, green waste, landscape and pruning waste, nonhazardous wood waste, and food-soiled paper waste that is mixed in with food waste. CVS's organics management program will require items from categories such as food, beverages, flowers, pet food, baby food, diet and nutrition to be diverted to the third-party organic recycler during the final disposition process. The cost of processing organic items through CVS's organic management program is shared by CVS and the Supplier. Supplier will bear a cost of \$0.45 per piece for each item processed through CVS's organic management program.

5. Store-Level Disposal and Expiring OTC Products

In order to meet environmental or transportation related regulations, product that is leaking or broken will not be sent to Inmar, or other third-party processor as chosen by CVS ("Inmar") and will need to be managed as waste at the store. Additionally, liquid beverages, food consumables, and products in glass containers may all be disposed of at store-level due to safety and infestation risks. For vendors whose Vendor Damage Disposition Code is 'Vendor Pick Up' or 'Ship to Vendor', and product is managed as waste at the store, CVS will invoice vendors for markdowns at the store level and not through Inmar. If an OTC item removed from distribution has 60 days or less until it expires, CVS retains the right to determine disposition of the product by a method different from the Vendor's selected Damage Disposition. An OTC item that is determined not to have sufficient dating remaining until expiration will not be shipped to Inmar for processing, and the Vendor will be billed depending on vendor disposition and disposal costs. CVS Pharmacy reserves the right to bill for disposal from Inmar for all expired goods.

6. Miscellaneous Withdrawals

On occasion, a Product Withdrawal or Removal of Unsaleable Merchandise may occur for reasons other than damaged, outdated, overstocked, or discontinued product, and in those cases, CVS will determine in its sole discretion the Product Withdrawal Charge depending on the circumstances.

7. Merchandise Credit Request (MCR) Handling Fee

A handling fee of \$0.20 per consumer unit plus the cost of goods will be assessed for returns of Returned Goods that are held at our nineteen Distribution Centers through our MCR process.

Policies and Procedures for Product Withdrawals and Unsaleable Merchandise

The following policies and procedures shall apply to Product Withdrawals and removals of Unsaleable Merchandise:

- CVS will deduct any amounts due from Supplier off the next available remittance to be made to the Supplier and will invoice only if no further remittance is to be made or the deduction does not cover the amount owed. Deductions will be used as long as product remains within the CVS system.

- Deduction disputes must be reported within 60 days of receipt of debit memo.
- Any shortage claims must be reported within 30 days of receipt of goods returned to vendor. Anything after 30 days will not be honored.
- CVS is not responsible for any discrepancy or alleged shortage claims between a third-party reclamation company and Inmar
- For outdated or damaged product held in CVS Distribution Centers, CVS will request a Return Authorization in an electronic request via a weekly Excel Spreadsheet. The spreadsheet will contain the item, quantity and DC location currently awaiting Return Authorization on returns for your company. Return Authorizations for these full case returns need to be provided to Returngoodsmail@CVSHealth.com noted on the file within 21 days of receipt. As CVS receives the Return Authorizations for this inventory will fall off the next monthly file issued.
 - Please provide the following to Returngoodsmail@CVSHealth.com
 - Return Authorization Number
 - Ship to Address (Located within the United States)
 - Contact Name
 - Phone Number of locations receiving product
- For discontinued product, CVS will request a Return Authorization from Supplier through an email request from the CVS Category Manager at 18 weeks prior to planogram in store date. Supplier is responsible for providing Return Authorization and ship to address back to the Category Manager by 12 weeks prior to planogram in store date. If the Return Authorization and ship to address is not received by 12 weeks out your product will be deducted for cost of goods and handling fee and CVS will determine final merchandise disposition.
- For Suppliers who require their unsaleable product be returned to them, if an Open Return Authorization is not provided a Return Authorization and Ship to Address need to be provided within 21 days of the invoice date or your product will be deducted, and CVS will determine final merchandise disposition.
- If CVS requires its third-party reclamation processor, currently Inmar (but subject to change), to hold your inventory past the 21-day period from Invoicing, a \$20 per pallet monthly handling fee will be invoiced to the vendor until the disposition has been resolved.
- The following **Unsaleable Merchandise Return Authorization Process** will apply if you **do not** provide CVS with an OPEN RETURN AUTHORIZATION.
 - Review Invoice copy that is emailed directly by third-party reclamation processor on behalf of CVS.
 - Email the CVS's On-Site Coordinator Karen.Mottola@Inmar.com with cc: to Returngoodsmail@CVSHealth.com and provide Return Authorization Number, Ship to address and Phone Number or contact email address of location that product is being shipped to. **It is the Supplier's responsibility to communicate**

the RA and ship to address to either Inmar Coordinator or CVS's reverse logistics team.

- CVS' third-party reclamation processor will then generate a packing list that will include the Return Authorization Number and all pertinent invoice information.
 - The packing list will be forwarded to the appropriate Inmar returned goods center once per week.
 - The returned goods center will include the packing list with all shipments back to suppliers. This will virtually eliminate the need to track and reconcile RA's for all parties.
 - The product will be shipped within 21 business days of a Return Authorization being received at Inmar.
 - CVS will deduct off the next available remittance to be made to the Supplier or payment is due on terms stated in the invoice.
 - Alternatively, CVS may email an invoice directly to Supplier in certain situations (for example, if there is no upcoming remittance scheduled to deduct against).
- For Suppliers who wish to review their product at the Inmar centers, the product is sorted and held for 21 days after the date of invoice from Inmar. During this time, the Supplier may make an appointment to review their product. If the items are not reviewed within 21 days of the notification, your product will be deducted, and CVS will determine final merchandise disposition.
 - In striving to keep the reclamation process an efficient and cost-effective system, CVS has instructed Inmar not to hold product amounting to under \$100 per Inmar location, per period (a period equals one month). The product will be deducted, and CVS will determine final merchandise disposition.
 - For Suppliers who wish to have their product donated, you will receive one monthly invoice detailing the items processed for all locations.
 - Inmar Processing Locations:

Fullerton, CA	Allentown, PA	Plant City, FL
Arlington, TX	Atlanta, GA	
Houston, TX	Indianapolis, IN	

Charges for Product Recall

In the event of a Product Recall, Supplier shall bear all costs and expenses of such recall, including without limitation, expenses related to the numerous standard activities involved in executing recalls at CVS, lost sales and margin, the cost of the recalled product, transportation costs, expenses of replacement stock, the cost of notifying customers and costs associated with shipment of recalled product from customers and shipment of an equal amount of replacement product to those same customers, attorney's fees, public relations firm fees, advertising agency fees, and costs of advertising

and notifications. All costs associated with the handling and disposal of product by Inmar are charged directly to the Supplier. In the event of a High Risk (Class I) recall of a Distribution Center serviced product, all costs associated to the completion of the required CVS store product removal verification audit will be charged directly to the Supplier by the CVS designated third party company who conducted the store audit.

CVS may in its discretion use the handling, disposal, and processing costs associated with a Product Withdrawal as the basis for determining those costs for a Product Recall, but nothing herein shall limit CVS's ability to recover its actual costs and expenses of a Product Recall including costs and expenses in addition to handling, disposal, and processing. Nothing herein is intended to limit CVS's ability to recover any costs, expenses, or damages resulting from a Product Recall or to limit CVS's rights under any indemnification agreement with a Supplier and this policy shall be construed to expand, not limit, CVS's ability to recover all costs, expenses, and damages of a Product Recall.

Recall Processing Costs

CVS has established the following standardized processing costs to reflect the costs to CVS of devoting internal resources to the execution of a product recall. The processing cost for a recall can increase or decrease based on the total number of items being recalled and whether the recall is not chainwide. In addition to the costs identified above, Supplier shall be responsible for the following processing costs depending on the nature of the recall as determined in CVS's sole discretion. For purposes of this policy, a Health Care item is any item for which CVS's Health Care business unit has responsibility.

Product and Scope	Processing Cost per SKU
Lot specific Health Care – DC Only	\$6,696
Lot specific Health Care in DC Only; All lots in stores	\$64,429
Non-Lot specific Health Care – Store Only	\$60,225
Non-Lot specific Health Care – DC Only	\$5,400
Non-Lot specific Health Care – DC and Store	\$61,492
Lot specific non-Health Care – DC Only	\$6,696
Lot specific non-Health Care – DC Only; All lots in stores	\$15,697
Non-lot specific non-Health Care – Store Only	\$11,493
Non-lot specific non-Health Care – DC Only	\$5,400
Non-lot specific non-Health Care -DC and Store	\$12,760

Policies and Procedures for Product Recalls:

The following policies and procedures shall apply to Product Recalls:

- CVS requires all product subject to a Product Recall to be returned to supplier and Inmar will ship product back to suppliers regardless of invoice value.
- Lot specific recalls are prohibited at the store level. All products will be removed at the store level.
- Supplier will issue a Return Authorization and valid shipping address at time of recall notice.
- Supplier must provide a shipping address which is located in the United States.
- CVS will deduct any amounts due from Supplier off the next available remittance to be made to the Supplier and will invoice only if no further remittance is to be made or the deduction does not cover the amount owed.
- Invoices related to CVS's Product Recall costs and expenses are due and payable by Supplier upon receipt.