

CVS CAREMARK CORP  
Form DEF 14A  
March 24, 2009  
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## SCHEDULE 14A

(Rule 14a-101)

### INFORMATION REQUIRED IN PROXY STATEMENT

#### SCHEDULE 14A INFORMATION

#### 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:

- |                                     |   |  |
|-------------------------------------|---|--|
| <input type="checkbox"/>            | Preliminary Proxy Statement                                   |  |
| <input checked="" type="checkbox"/> | Definitive Proxy Statement                                    | <input type="checkbox"/> Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2)) |
| <input type="checkbox"/>            | Definitive Additional Materials                               |  |
| <input type="checkbox"/>            | Soliciting Material Pursuant to Rule 14a-11(c) or Rule 14a-12 |  |

## CVS CAREMARK 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.
- (1) Title of each class of securities to which transaction applies:
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(1) Amount previously paid:

Not Applicable

(2) Form, Schedule or Registration Statement No.:

Not Applicable

(3) Filing Party:

Not Applicable

(4) Date Filed:

Not Applicable

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# CVS Caremark Corporation

## NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

MAY 6, 2009

9:00 A.M.

CVS Caremark Corporation

One CVS Drive

Woonsocket, Rhode Island 02895

To our stockholders:

We are pleased to invite you to attend our 2009 annual meeting of stockholders to:

- n Elect 12 directors named in the accompanying proxy statement;
- n Ratify the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for fiscal 2009;
- n Act on four stockholder proposals to be presented; and
- n Conduct other business properly brought before the meeting.

Stockholders of record at the close of business on March 12, 2009 may vote at the meeting.

Your vote is important. Whether or not you plan to attend the 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 proxy card or other voting instructions to see which of these options are available to you. Even if attending the meeting in person, we encourage you to vote in advance by mail, phone or Internet.

By Order of the Board of Directors,

Thomas M. Ryan

*Chairman of the Board, President and Chief Executive Officer*

**Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to Be Held on May 6, 2009.**

The proxy statement and annual report to security holders are available at <http://cvscaremark.com/proxymaterials>.

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**INFORMATION ABOUT THE ANNUAL MEETING AND VOTING**

The Board of Directors of CVS Caremark Corporation (the *Company* or *CVS Caremark*) is soliciting your proxy to vote at our 2009 annual meeting of stockholders (or at any adjournment of the meeting). This proxy statement summarizes the information you need to know to vote at the meeting.

We began mailing this proxy statement and the enclosed proxy card on or about March 25, 2009 to all stockholders entitled to vote. The *Company*'s 2008 Annual Report, which includes our financial statements, is being sent with this proxy statement.

***Date, Time and Place of the Meeting***

Date: May 6, 2009  
Time: 9:00 a.m.  
Place: One CVS Drive

Woonsocket, Rhode Island 02895

***Shares Entitled to Vote***

Stockholders entitled to vote are those who owned CVS Caremark common stock at the close of business on the record date, March 12, 2009. As of the record date, there were approximately 1,457,395,521 shares of common stock outstanding. Each share of CVS Caremark common stock that you own entitles you to one vote.

The Bank of New York Mellon presently holds shares of common stock as Trustee under the 401(k) Plan and the Employee Stock Ownership Plan of CVS Caremark Corporation and Affiliated Companies (the *ESOP*). Each participant in the ESOP instructs the Trustee of the ESOP how to vote his or her shares. As to shares with respect to which the Trustee receives no timely voting instructions, the Trustee, pursuant to the ESOP Trust Agreement, votes these shares in the same proportion as it votes all the shares as to which it has received timely voting instructions.

***Voting***

Whether or not you plan to attend the annual meeting, we urge you to vote. You may vote by calling a toll-free telephone number, by using the Internet or by mailing your signed proxy card in the postage-paid envelope provided. If you vote by telephone or the Internet, you do NOT need to return your proxy card. Returning the proxy card by mail or voting by telephone or Internet will not affect your right to attend the meeting and change your vote, if desired.

If your shares are held in the name of a bank, broker or other holder of record (a *nominee*), you will receive instructions from the nominee that you must follow in order for your shares to be voted. Certain of these institutions offer telephone and Internet voting.

The enclosed proxy card indicates the number of shares that you own as of the record date.

Voting instructions are included on your proxy card. If you properly fill in your proxy card and send it to us in time to vote, or vote by telephone or the Internet, one of the individuals named on your proxy card (your *proxy*) will vote your shares as you have directed. If you sign the proxy card but do not make specific choices, your proxy will follow the Board's recommendations and vote your shares:

n     FOR   the election of all 12 nominees for director (as described beginning on page 48);

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- n FOR the ratification of the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for fiscal 2009 (as described beginning on page 51); and
  
- n AGAINST each of the four stockholder proposals to be presented (as described beginning on page 53).



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If any other matter is presented at the meeting, your proxy will vote in accordance with his or her best judgment. At the time this proxy statement went to press, we knew of no other matters to be acted on at the meeting.

### *Revoking your proxy card*

You may revoke your proxy card by:

- n sending in another signed proxy card with a later date;
- n providing subsequent telephone or Internet voting instructions;
- n notifying our Corporate Secretary in writing before the meeting that you have revoked your proxy card; or
- n voting in person at the meeting.

### *Voting in person*

If you plan to attend the meeting and vote in person, we will give you a ballot when you arrive. However, if your shares are held in the name of a nominee, you must bring an account statement or letter from the nominee indicating that you were the beneficial owner of the shares on March 12, 2009, the record date for voting.

### *Appointing your own proxy*

If you want to give your proxy to someone other than the individuals named as proxies on the proxy card, you may cross out the names of those individuals and insert the name of the individual you are authorizing to vote. Either you or that authorized individual must present the proxy card at the meeting.

### *Proxy solicitation*

We are soliciting this proxy on behalf of our Board of Directors and will bear the solicitation expenses. We are making this solicitation by mail but we may also solicit by telephone, e-mail or in person. We have hired Morrow & Co., LLC, 470 West Ave, Stamford, CT 06902, for a fee of \$25,000, plus out-of-pocket expenses, to provide customary assistance to us in the solicitation. We will reimburse banks, brokerage houses and other institutions, nominees and fiduciaries, if they request, for their expenses in forwarding proxy materials to beneficial owners.

### *Householding*

Under U.S. Securities and Exchange Commission ( SEC ) rules, a single set of annual reports and proxy statements may be sent to any household at which two or more Company stockholders reside if they appear to be members of the same family. Each stockholder continues to receive a separate proxy card. This procedure, referred to as householding, reduces the volume of duplicate information stockholders receive and reduces mailing and printing expenses for the Company. The Company may household and brokers with accountholders who are Company stockholders may also be householding our proxy materials. As indicated in the notice previously provided by these brokers to our stockholders, a single annual report and proxy statement will be delivered to multiple stockholders sharing an address unless contrary instructions have been received from an affected stockholder. Once you have received notice from your broker that it will be householding communications to your address, householding will continue until you are notified otherwise or until you revoke your consent. If, at any time, you no longer wish to participate in householding and would prefer to receive a separate annual report and proxy statement, please notify your broker so that separate copies can be delivered to you instead. Stockholders who currently receive multiple copies of the annual report and proxy statement at their address and who would prefer that their communications be household should contact their broker.



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***Quorum Requirement***

A quorum of stockholders is necessary to hold a valid meeting. The presence in person or by proxy at the meeting of holders of shares representing a majority of shares entitled to vote constitutes a quorum. Abstentions and broker non-votes are counted as present for establishing a quorum. A broker non-vote occurs on an item when a broker is not permitted to vote on that item absent instruction from the beneficial owner of the shares and no instruction is given.

***Vote Necessary to Approve Proposals***

- n *Item 1. Election of Directors.* Each director is elected by a majority of the votes cast with respect to that director's election (at a meeting for the election of directors at which a quorum is present) by the holders of shares of common stock present in person or by proxy at the meeting and entitled to vote.

A majority of votes cast means that the number of votes for a director's election must exceed 50% of the votes cast with respect to that director's election. Votes against a director's election will count as a vote cast, but abstentions and broker non-votes will not count as a vote cast with respect to that director's election.

- n *All other proposals.* For all other proposals, approval is by affirmative vote (at a meeting at which a quorum is present) of a majority of the votes represented by the shares of common stock present at the meeting in person or by proxy and entitled to vote. Abstentions are counted as shares present or represented and voting and have the effect of a vote against. Broker non-votes are not counted as shares present or represented and voting and have no effect on the vote.
- n *Broker voting.* Under current New York Stock Exchange ( NYSE ) rules, if the record holder of your shares (usually a bank, broker or other nominee) holds your shares in its name, your record holder is permitted to vote your shares on Item 1, Election of Directors, and Item 2, Ratification of Auditors, in its discretion, even if it does not receive voting instructions from you. On all other Items your record holder is not permitted to vote your shares without your instructions and such shares (broker non-votes) have no effect on the vote.

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**CORPORATE GOVERNANCE AND RELATED MATTERS**

***Corporate Governance Guidelines***

The Company's Board of Directors 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 carrying out its responsibilities, the Board reviews and assesses the Company's long-term strategy and its strategic, competitive and financial performance. The Board has adopted Corporate Governance Guidelines, which are available on our investor relations website at <http://cvscaremark.com/investors> and also available to stockholders at no charge upon request to the Company's Corporate Secretary. These guidelines meet or exceed the listing standards adopted by the NYSE, on which the Company's common stock is listed.

***Meetings of the Board***

During 2008, there were eight meetings of the Board of Directors of the Company. All of our directors at the time of the Company's 2008 annual meeting of stockholders attended the annual meeting except C. David Brown II, who had an unavoidable conflict. Directors are expected to make every effort to attend the annual meeting of stockholders, all Board meetings and the meetings of the Committees on which they serve. Each director attended at least 75% of the meetings of the Board and of Committees of which he or she was a member.

One Board meeting was our annual meeting of non-management directors. The non-management directors also regularly hold executive sessions during which the Company's management does not participate.

***Lead Director***

In November 2007, the Board amended its Corporate Governance Guidelines and appointed Mr. Terrence Murray as its Lead Director. Under the amended Guidelines the Lead Director: has the authority to call, and to lead, non-management director and independent director sessions; may retain independent legal, accounting or other advisors in connection with these sessions; presides at all meetings of the Board at which the Chairman is not present; facilitates communication and serves as a liaison between the Chairman and the independent directors; advises the Chairman of the informational needs of the Board; advises the Chairman regarding Board meeting agendas and as to the appropriate schedule of Board meetings; and may request inclusion of additional agenda items.

***Director Nominations***

Under the Company's Corporate Governance Guidelines, the Nominating and Corporate Governance Committee recommends to the Board criteria for Board membership, and recommends individuals for membership on the Company's Board of Directors. Criteria used by the Committee in nominating directors are found in the Nominating and Corporate Governance Committee charter. A copy of Annex A to said charter, the Director Qualification Criteria, is attached to this proxy statement as Exhibit A. When considering current directors for re-nomination to the Board, the Committee takes into account the performance of each director. 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, judgment, diversity, age, skills, background and experience. As desired, the Committee may confer with the Chairman and other directors as to the foregoing matters.

The Nominating and Corporate Governance Committee will consider any director candidates recommended by stockholders who submit a written request to the Secretary of the Company. The candidates should meet the Director Qualification Criteria noted above. The Committee evaluates all director candidates and nominees in the same manner regardless of the source. If a stockholder would like to

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nominate a person for election or re-election to the Board, he or she must provide notice to the Company as provided in its by-laws. Such notice must be addressed to the Corporate Secretary of the Company and must arrive at the Company in a timely manner, between 90 and 120 days prior to the anniversary of our last annual meeting of stockholders. The notice must include (i) the name and address, as they appear in the Company's books, of the stockholder giving the notice, (ii) the class and number of shares of the Company that are beneficially owned by the stockholder (including information concerning derivative ownership and other arrangements concerning our stock as described in our by-laws), (iii) a written consent indicating that the candidate is willing to be named in the proxy statement as a nominee and to serve as a director if elected, and (iv) any other information that the SEC would require to be included in a proxy statement when a stockholder submits a proposal. See Item 7: Other Matters – Stockholder Proposals and Other Business for our Annual Meeting in 2010 for additional information related to the 2010 annual meeting.

The retirement age for CVS Caremark directors is 72. The Company's Corporate Governance Guidelines provide that no director who is or would be over the age of 72 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. Such a waiver has been granted with respect to Dr. William H. Joyce, Chair of the Company's Audit Committee, who is presently 73. The Board considered a waiver of the retirement age in this case appropriate and in the best interests of the Company in light of the exceptional experience and expertise of Dr. Joyce.

***Independence Determinations for Directors***

Under the Company's Corporate Governance Guidelines, a majority of our Board must be comprised of directors who meet the director independence requirements set forth in the Corporate Governance Rules of the NYSE applicable to listed companies. Under the NYSE Corporate Governance Rules, no director qualifies as independent unless the Board affirmatively determines that the director has no material relationship with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company). The basis for a Board's determination that a relationship is not material must be disclosed in the Company's annual proxy statement. In this regard, the Board may adopt and disclose categorical standards to assist it in making determinations of independence, which are attached to this proxy statement as Exhibit B.

The Nominating and Corporate Governance Committee of the Board undertook its annual review of director independence in March 2009, and determined that each of Edwin M. Banks, Mr. Brown, David W. Dorman, Kristen Gibney Williams, Marian L. Heard, Dr. Joyce, Jean-Pierre Millon, Mr. Murray, C.A. Lance Piccolo, Sheli Z. Rosenberg and Richard W. Swift, is independent. Mr. Ryan is considered an inside director because of his current employment as Chairman, President and Chief Executive Officer of the Company.

In the course of its review as to the independence of each director, the Committee considered transactions and relationships between each director or any member of his or her immediate family, on the one hand, and the Company and its subsidiaries, on the other. Specifically, the Committee in making its recommendation and the Board in making its determination considered that, consistent with the categorical standards, both Mr. Murray and members of his immediate family in the one instance, and Mr. Dorman in another, is a significant equity holder in respective entities with which the Company has had ordinary course business dealings that do not cross any of the NYSE bright-line tests, and with respect to which, in each case, the director or family member is not directly responsible for or involved in such entity's business dealings with the Company. See Certain Transactions with Directors and Officers, below.

***Contact with the Board, the Lead Director and Other Non-Management Directors***

Stockholders and other parties interested in communicating directly with the Board, the Lead Director or with the non-management directors as a group may do so by writing to them care of CVS Caremark Corporation, One CVS Drive, Woonsocket, RI 02895. The Nominating and Corporate Governance Committee has approved a process for handling letters received by the Company and addressed to the

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Board, the Lead Director or to non-management members of the Board. Under that process, the Corporate Secretary of the Company reviews all such correspondence and regularly forwards to the Board a summary of all such correspondence and copies of all correspondence that, in the opinion of the Corporate Secretary, deals with the functions of the Board or committees thereof or that he otherwise determines requires their attention. Directors shall from time to time review a log of all correspondence received by the Company that is addressed to members of the Board and may request copies of any such correspondence. Concerns relating to accounting, internal accounting controls or auditing matters will be promptly brought to the attention of the Company's internal audit department and handled in accordance with procedures established by the Audit Committee with respect to such matters.

### ***Code of Conduct***

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

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

#### ***Audit Committee***

William H. Joyce, Chair

Edwin M. Banks

Kristen Gibney Williams

Marian L. Heard

Richard J. Swift

The Audit Committee met nine times during 2008. Each member of the 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 has designated each of Dr. Joyce, Mr. Banks and Mr. Swift as an audit committee financial expert, as defined under applicable SEC rules. The Board has approved a charter for the Committee, a copy of which can be viewed on the Company's website at <http://cvscaremark.com/investors>, and also is available to stockholders without charge upon request to the Company's Corporate Secretary. Pursuant to its charter, the Committee assists the Board in its oversight of: (i) the integrity of the financial statements of the Company; (ii) the qualifications, independence and performance of the Company's independent registered public accounting firm, for whose appointment the Committee bears principal responsibility; (iii) the performance of the Company's internal audit function; (iv) compliance with the Company Code of Conduct; (v) review and ratification of any related person transactions pursuant to the Company's policy on such matters; and (vi) compliance by the Company with legal and regulatory requirements. The Committee also approved the Audit Committee Report that is found on page 11 of this proxy statement.

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

David W. Dorman, Chair

Edwin M. Banks

C. David Brown II

Marian L. Heard

Sheli Z. Rosenberg

The Nominating and Corporate Governance Committee met three times during 2008. Each member of the 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, a copy of

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which can be viewed on the Company's website at <http://cvscaremark.com/investors>, and also is available to stockholders without charge upon request to the Company's Corporate Secretary. Pursuant to its charter, the Committee has responsibility for: (i) identifying individuals qualified to become Board members; (ii) 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; (iii) recommending directors for appointment to Board committees; (iv) making recommendations to the Board as to determinations of director independence; (v) evaluating Board and committee performance; and (vi) reviewing and assessing the Company's Corporate Governance Guidelines and overseeing compliance with such Guidelines.

*Management Planning and Development Committee*

Sheli Z. Rosenberg, Chair

C. David Brown II

David W. Dorman

Jean-Pierre Millon

Terrence Murray

C.A. Lance Piccolo

The Management Planning and Development Committee met six times during 2008. Each member of the Committee is independent of the Company and management under the standards set forth in the Corporate Governance Rules of the NYSE. No Committee member participates in any of the Company's employee compensation programs and none is a current or former officer or employee of CVS Caremark or its subsidiaries. (Mr. Piccolo was an officer of a company acquired by Caremark Rx, Inc. in 1996, but ceased being an officer or employee prior to that company becoming a subsidiary of Caremark Rx, Inc.) At its meetings, non-members, such as the CEO, the CFO, the Senior Vice President of Human Resources, the Chief Legal Officer (CLO), 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 Caremark executive officer is permitted to be present during any discussion of his or her compensation or performance, and the Committee may exercise its prerogative to meet in executive session without non-members.

The Committee's responsibilities are specified in its charter. The charter, as approved by the Board, may be viewed on the Company's website at <http://cvscaremark.com/investors>, and also is available to stockholders without charge upon request to the Company's Corporate Secretary. These responsibilities fall into six broad categories. Pursuant to its charter, the Committee: (i) oversees the Company's compensation and benefits policies and programs generally; (ii) evaluates the performance of designated senior executives, including the CEO, and reviews the Company's management succession plan; (iii) in consultation with the other independent directors of the Company, oversees and sets compensation for the CEO; (iv) oversees and sets compensation for the Company's designated senior executives; (v) reviews and recommends to the Board compensation (including cash and equity-based compensation) for the Company's directors; and (vi) approves the Management Planning and Development Committee Report found on page 32 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.

As provided in its charter, the Committee has the authority to determine the scope of the external compensation consultant's services and may terminate the engagement at any time. The external compensation consultant reports to the Committee Chair.

The executive compensation services performed for the Committee are by far the most significant component of the direct consulting relationship that CVS Caremark has with Mercer LLC (Mercer); fees for those services accounted for more than 90% of the total fees charged by Mercer to CVS Caremark in 2008. On occasion, CVS Caremark's human resources department uses Mercer for general human resources and compensation consulting. In 2008, the Company engaged Mercer to collect and organize competitive market data for key non-executive positions, such as pharmacists. CVS Caremark has contracted with IBM



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Corporation to perform a variety of services related to human resources. An affiliate of Mercer is a subcontractor of IBM delivering defined benefit administration services to CVS Caremark and other IBM clients through a strategic alliance between IBM and the Mercer affiliate. All billing, project management and contract negotiations for this relationship are handled by IBM.

### *Executive Committee*

C. David Brown II

David W. Dorman

Terrence Murray

Thomas M. Ryan

The Executive Committee did not meet in 2008. At all times when the Board is not in session, the Executive Committee may exercise most powers of the Board as permitted by applicable law.

### ***Director Compensation***

#### *2008 2009 Board Year: Full Retainer Approach*

For the Board year that commenced on May 7, 2008, the Company adopted a full retainer approach to compensating its outside directors, replacing the previous outside director compensation program that consisted of a smaller retainer, meeting fees and stock awards. The Management Planning and Development Committee and the Board believe that a full-retainer approach, rather than meeting fees, better reflects the ongoing accountabilities of directors. Service on the Board requires directors to commit significant amounts of time to Company matters year-round, not only at meetings. The full-retainer approach also facilitates administration of the directors' compensation program. Each non-employee director receives an annual retainer of \$260,000. Additional annual retainers are paid as follows: Chairs of the Nominating and Corporate Governance and Management Planning and Development Committees, \$10,000 each; Chair of the Audit Committee, \$20,000; and Lead Director, \$20,000. Each of the retainers is paid semi-annually; at least 75% of each retainer must be paid in shares of Company common stock, and directors may elect to receive all of their retainers in stock. The payment of annual and additional retainers in substantially all Company common stock (or fully in Company common stock at a director's election) is consistent with our policy of using equity compensation to better align directors' interests with stockholders, and enhances the directors' ability to meet and continue to comply with the stock ownership guidelines described below. Directors may continue to elect to defer receipt of shares; deferred shares will be credited with dividend equivalents.

All non-employee directors must own a minimum of 10,000 shares of CVS Caremark common stock. Directors must attain this minimum ownership level within five years of being elected to the Board and must retain ownership of a minimum of 10,000 shares for at least six months after leaving the Board. Each of our directors has attained the minimum ownership level.

Directors are eligible to receive stock options, but typically do not receive them. They do not participate in a pension plan or nonqualified deferred compensation plan with above market earnings. Directors are eligible to participate in the Employee Discount Program and are subject to the same terms of the program as Company employees.

Caremark Rx, Inc. had provided medical, dental and prescription drug coverage to its directors and their eligible dependents while the director was serving on its board. Messrs. Banks and Piccolo, who currently serve as directors of the Company, will continue their medical and dental coverage through 2009, paying the same premium rates as Company employees. The Company has extended to all directors the option to enroll themselves and their eligible dependents in the Company's 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, the Company will allow continued participation in the prescription drug benefit plan, but the director must bear the full cost of the premium.

**Table of Contents***2007 2008 Board Year: Annual Retainer, Meeting Fees and Equity Awards*

For the Board year that commenced on May 9, 2007 and ended on May 6, 2008, the Company provided the following compensation to our non-employee directors for their services as directors:

- n Each non-employee director received an annual retainer of \$65,000 and attendance fees of \$2,000 for each Board meeting attended, \$1,000 for each telephonic Board meeting attended and \$1,000 for each Committee meeting attended.
- n Each non-employee director who chaired a Committee of the Board received an additional retainer of \$8,000, except the Chair of the Audit Committee, who received \$15,000.
- n Under the 1997 Incentive Compensation Plan (the 1997 ICP ), non-employee directors received an annual award of 4,000 shares of common stock for their service during the preceding year.

At least one half of the annual non-employee director retainer fee was paid in CVS Caremark common stock. Directors could elect to receive all retainer and attendance fees in common stock. A director could also choose to defer receipt of such shares. Deferred shares were credited with dividend equivalents.

The following chart shows amounts paid to each of our non-employee directors in fiscal 2008.

**Non-Employee Director Compensation Fiscal Year 2008**

Name	Fees Earned and Paid in Cash (\$)	Cash Fees Elected to be Paid in Stock <sup>(1)</sup> (\$)	Stock Awards <sup>(1)</sup> (\$)	All Other Compensation <sup>(2)</sup> (\$)	Total (\$)
Edwin M. Banks	78,000		361,120	13,959	453,079
C. David Brown II		76,754	361,120	2,462	440,336
David W. Dorman		79,478	368,620		448,098
Kristen Gibney Williams	75,000		361,120	946	437,066
Marian L. Heard		78,000	361,120	738	439,858
William H. Joyce		79,000	376,120		455,120
Jean-Pierre Millon		73,828	361,120		434,948
Terrence Murray	19,000	69,964	376,120	1,078	466,162
C. A. Lance Piccolo	6,000	64,992	361,120	9,704	441,816
Sheli Z. Rosenberg		78,250	368,620		446,870
Richard J. Swift	75,000		361,120		436,120

(1) These awards are fully vested at grant and the amounts shown represent both the fair market value and the full fair value at grant under FAS 123(R). As of December 31, 2008, our directors had deferred receipt of shares of Company common stock as follows: Mr. Banks, 5,534; Mr. Brown, 7,379; Mr. Dorman, 14,440; Ms. Heard, 58,634; Dr. Joyce, 78,406; Ms. Rosenberg, 18,319; and Mr. Swift, 13,633 shares.

(2) Represents Company contributions for director health and prescription benefits. For Mr. Murray represents cost associated with personal use of Company aircraft.

***Certain Transactions with Directors and Officers***

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In accordance with SEC rules, the Board has adopted a written Related Person Transaction Policy (the Policy ). The Audit Committee of the Board has been designated as the Committee responsible for reviewing, approving or ratifying any related person transactions under the Policy.

Pursuant to the Policy, all executive officers, directors, director nominees and any 5% beneficial owners of the Company s securities are required to notify the Company s CLO 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, 5%

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beneficial owner or any immediate family member of such a person has a direct or indirect material interest. Such officers, directors, nominees, 5% beneficial owners and their immediate family members are considered related persons under the Policy.

For the above purposes, immediate family member includes a person's spouse, parents, siblings, children, in-laws, step-relatives and any other person sharing the household (other than a tenant or household employee).

The CLO or the Corporate Secretary will present any reported new related person transactions, and proposed transactions involving related persons, to the Audit Committee at its next regular meeting. The Committee shall review transactions to determine whether the related person involved has a direct or indirect material interest in the transaction. The 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. On an annual basis, the Committee shall review previously approved related person transactions, under the standards described below, to determine whether such transactions should continue.

In reviewing the transaction or proposed transaction, the Committee shall consider all relevant facts and circumstances, including without limitation the commercial reasonableness of the terms, the benefit and perceived benefit, or lack thereof, to the Company, opportunity costs of alternate transactions, the materiality and character of the related person's direct or indirect interest, and the actual or apparent conflict of interest of the related person. The Committee will not approve or ratify a related person transaction unless it shall have determined that, upon consideration of all relevant information, the transaction is in, or not inconsistent with, the best interests of the Company and its stockholders.

If after the review described above, the Committee determines not to approve or ratify a related person transaction (whether such transaction is being reviewed for the first time or has previously been approved and is being re-reviewed), the transaction will not be entered into or continued, as the Committee shall direct.

Notwithstanding the foregoing, the following types of transactions are deemed not to create or involve a material interest on the part of the related person and will not be reviewed, nor will they require approval or ratification, under the Policy:

- (i) Transactions involving the purchase or sale of products or services in the ordinary course of business, not exceeding \$120,000.
- (ii) Transactions in which the related person's interest derives solely from his or her service as a director of another corporation or organization that is a party to the transaction.
- (iii) Transactions in which the related person's interest derives solely from his or her ownership of less than 10% of the equity interest in another entity (other than a general partnership interest) which is a party to the transaction.
- (iv) Transactions in which the related person's interest derives solely from his or her ownership of a class of equity securities of the Company and all holders of that class of equity securities received the same benefit on a pro rata basis.
- (v) Transactions in which the related person's interest derives solely from his or her service as a director, trustee or officer (or similar position) of a not-for-profit organization or charity that receives donations from the Company, which donations are made in accordance with the Company's matching program that is available on the same terms to all employees of the Company.
- (vi) Compensation arrangements of any executive officer, other than an individual who is an immediate family member of a related person, if such arrangements have been approved by the Management Planning and Development Committee.

- (vii) Director compensation arrangements, if such arrangements have been approved by the Board.

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- (viii) Indemnification payments and payments made under directors and officers indemnification insurance policies or made pursuant to the certificate of incorporation or by-laws of the Company or any of its subsidiaries or pursuant to any policy, agreement or instrument.

The Board reviews the Policy on an annual basis and will make changes as appropriate.

Additionally, under the Company's Corporate Governance Guidelines and its Code of Conduct, with respect to any transaction in which a director or executive officer has a personal interest, such that a potential conflict of interest could arise, the director or executive officer must report the matter immediately to the Company's CLO or the Corporate Compliance Officer who will, where appropriate, report the matter to the Nominating and Corporate Governance Committee for evaluation and appropriate resolution.

If a director has a personal interest in a matter before the Board, the director shall disclose the interest to the f