

# Guidelines

## Composition and Structure of Board

### Size of the Board

The Board in recent years has had between 10 and 14 members. This range permits diversity of perspectives and experience without hindering effective discussion.

### Board Membership Criteria

The Nominating and Governance Committee is responsible for reviewing with the Board the appropriate criteria for membership on the Board. Generally, outside directors should be persons with broad experience in areas important to the operation of the Company, such as business, executive management, healthcare, finance/accounting, law, education, or government and should possess qualities reflecting integrity, independence, wisdom, an inquiring mind, vision, a proven record of accomplishment, and an ability to work with others.

### Selection of New Directors

The Nominating and Governance Committee is responsible for identifying, evaluating, and recommending candidates to the full Board for membership, including potential nominees submitted by stockholders in accordance with applicable rules and regulations and the bylaws of the Company. The full Board is responsible for selecting its members and recommending them for election by the stockholders or by a majority vote of the Board to fill vacancies. The invitation to join the Board should be extended by the Chairman, on behalf of the entire Board.

### Independent Directors

The Board's policy is that a majority of its members be independent directors. No director shall qualify as "independent" unless the Board affirmatively determines on an annual basis that the director has no material relationship with the Company. The Board has adopted the standards set forth in the corporate governance listing standards of the New York Stock Exchange to assist it in making determinations of independence. Only independent directors may serve on the Audit Committee, Compensation Committee, and Nominating and Governance Committee.

### Selection of Chairman

The Board shall appoint the Chairman, which is currently combined with the Chief Executive Officer position. In the future, should circumstances change, the Board may separate the Chairman and Chief Executive Officer positions.

### Lead Director

In the event that the Chairman of the Board is also the Chief Executive Officer or otherwise not

an independent director, and/or the Non-Executive Chairman of the Board is not an independent director, the Board of Directors will choose an independent director to serve as the lead director. The lead director will be chosen upon the recommendation of the Nominating and Governance Committee. The Company shall provide the lead director with appropriate staff support. The lead director will:

- Preside at executive sessions of the non-management directors.
- Facilitate communications between other members of the Board and the Chief Executive Officer. Any director is free to communicate directly with the Chief Executive Officer. The lead director's role is to attempt to improve such communications if they are not entirely satisfactory.
- Work with the Chief Executive Officer in the preparation of the Board meeting agenda and information to be provided to the Board.
- Chair the annual review of the performance of the Chief Executive Officer.
- Otherwise consult with the Chief Executive Officer on matters relating to corporate governance and Board performance.

### **Directors Who Change Their Present Job Responsibility**

When a director's principal occupation or business association changes substantially from the position he or she held when originally invited to join the Board, the Nominating and Governance Committee will evaluate whether the individual continues to satisfy the Board's membership criteria in light of his or her new occupational status.

### **Other Directorships**

Although the Board does not have a formal policy, independent directors are encouraged to limit the number of other boards (excluding non-profits) on which they serve. Independent directors are encouraged to advise the Chairman and the Nominating and Governance Committee in advance of accepting an invitation to serve on another board. The Nominating and Governance Committee and the full Board will take into account the nature of and the time involved in a director's service on other boards in evaluating the suitability of individual directors.

### **Term Limits**

The Board's policy is to not establish term limits because they hold the disadvantage of losing the contribution of directors who have a unique insight into the business of the Company and its operations.

### **Board Compensation**

The Compensation Committee is responsible for reviewing and recommending, on an annual basis, the compensation for independent directors. Any change in Board compensation is made upon the recommendation of the Compensation Committee following discussion and concurrence by the full Board.

## **Retirement Age**

The Board's policy is that, except for those persons who were serving as directors on January 1, 2002, no person shall be elected or appointed to serve as a director after having reached 72 years of age.

## **Policy on Majority Voting**

A director who fails to receive the required number of votes for re-election in accordance with the Amended and Restated By-Laws will, within five days following the certification of the stockholder vote, tender his or her written resignation to the Chairman of the Board for consideration by the Nominating and Governance Committee ("Committee").

The Committee will consider such tendered resignation and, within 45 days following the date of the stockholders' meeting at which the election occurred, will make a recommendation to the Board concerning the acceptance or rejection of such resignation. In determining its recommendation to the Board, the Committee will consider all factors deemed relevant by the members of the Committee, including, without limitation, the stated reason or reasons why stockholders voted against such director's re-election, the qualifications of the director (including, for example, whether the director serves on the audit committee of the Board as an "audit committee financial expert" and whether there are one or more other directors qualified, eligible, and available to serve on the audit committee in such capacity), and whether the director's resignation from the Board would be in the best interests of the Company and its stockholders.

The Committee also will consider a range of possible alternatives concerning the director's tendered resignation as the members of the Committee deem appropriate, including, without limitation, acceptance of the resignation, rejection of the resignation, or rejection of the resignation coupled with a commitment to seek to address and cure the underlying reasons reasonably believed by the Committee to have substantially resulted in such director failing to receive the required number of votes for re-election.

The Board will take formal action on the Committee's recommendation no later than 75 days following the date of the stockholders' meeting at which the election occurred. In considering the Committee's recommendation, the Board will consider the information, factors, and alternatives considered by the Committee and such additional information, factors, and alternatives as the Board deems relevant.

Following the Board's decision on the Committee's recommendation, the Company, within four business days after such decision is made, will publicly disclose, in a Form 8-K filed with the Securities and Exchange Commission, the Board's decision, together with a full explanation of the process by which the decision was made and, if applicable, the Board's reason or reasons for rejecting the tendered resignation.

No director who, in accordance with this Policy, is required to tender his or her resignation, shall participate in the Committee's deliberations or recommendation, or in the Board's deliberations

or determination, with respect to accepting or rejecting his or her resignation as a director. If a majority of the members of the Committee fail to receive the required number of votes for re-election, then the independent directors then serving on the Board who were elected at the stockholders' meeting at which the election occurred, and the independent directors, if any, who were not standing for election at such stockholders' meeting, will appoint an ad hoc Board committee from amongst themselves (the "Ad Hoc Committee"), consisting of such number of directors as they may determine to be appropriate, solely for the purpose of considering and making a recommendation to the Board with respect to the tendered resignations. The Ad Hoc Committee shall serve in place of the Committee and perform the Committee's duties for purposes of this Policy. Notwithstanding the foregoing, if an Ad Hoc Committee would have been created but fewer than three directors would be eligible to serve on it, the entire Board (other than the individual director whose resignation is being considered) will make the determination to accept or reject the tendered resignation without any recommendation from the Committee and without the creation of an Ad Hoc Committee.

This Policy, as it may from time to time be amended, will be summarized or included in the "Governance" section of the Company's website and the Company's proxy statement for each meeting of stockholders (annual or special) at which directors are to be elected.

## **Board Responsibilities**

### **Role of the Board**

The role of the Board is to oversee the management of the Company and to represent the interests of all Rite Aid shareholders. The Board recognizes that the long-term interests of shareholders are advanced by responsibly addressing the concerns of other stakeholders and interested parties, including associates, customers, suppliers, partners, government, local communities, and the public at large. The directors rely on the honesty and integrity of the Company's officers, associates, and outside advisors to make Board decisions. The directors are also responsible for acting as advisors to the senior management team.

Directors are expected to regularly attend Board meetings and meetings of committees on which they serve. Directors should spend the time needed and meet as frequently as necessary to properly discharge their responsibilities. Directors are expected to review meeting materials prior to Board and committee meetings. Directors are encouraged to ask questions and communicate concerns at any time.

### **Director Orientation and Continuing Education**

The Nominating and Governance Committee will make available orientation programs for new directors and, from time to time, continuing education programs for directors, when appropriate.

### **Evaluating the Board's Performance**

With the assistance of the Nominating and Governance Committee, the Board will conduct an annual self-evaluation of its performance for the purpose of increasing the effectiveness of the

Board and its committees.

This evaluation should be of the Board's contribution as a whole and specifically review areas in which the Board and/or management believe improvement may be desirable.

### **Ethics and Conflicts of Interest**

The Board expects its directors, officers, and other associates to act ethically at all times and to acknowledge adherence to the Company's Code of Ethics and Business Conduct. Any waiver of the Code of Ethics and Business Conduct for directors and executive officers may be made only by the Board of Directors or a Board committee and must be promptly disclosed to shareholders. Directors are expected to avoid any action, position, or interest that conflicts with an interest of the Company, or that gives the appearance of a conflict. If any actual or potential conflict of interest arises for a director, the director shall promptly inform the Chief Executive Officer and the Chair of the Nominating and Governance Committee. If a significant conflict exists and cannot be resolved, the director should resign. All directors will recuse themselves from any discussion or decision affecting their personal, business, or professional interests.

### **Related Person Transactions**

The Board has adopted a policy which requires that any transaction in excess of \$120,000 between the Company and any director, executive officer, five percent and greater stockholder, any member of their immediate family, or their related interests be disclosed to and reviewed, approved, or ratified by the Nominating and Governance Committee of the Board. The Committee (or the Chair) will approve only those related person transactions that are in, or are not inconsistent with, the best interests of the Company and its stakeholders, as the Committee (or the Chair) determines in good faith.

### **Board Meeting Procedures**

#### **Frequency of Meetings**

The Board has approximately four regularly scheduled meetings per year. In addition, special meetings may be called from time to time, as determined by the needs of the Company's business.

#### **Selection of Agenda Items for Board Meetings**

The Chairman of the Board, the Secretary of the Company and if applicable, the lead director, will establish the agenda for Board meetings. Any Board member, however, may recommend the inclusion of specific agenda items. The agenda will be distributed in advance of the meeting to each director.

#### **Board Materials Distributed in Advance**

Information, data, and presentation materials that are important to the Board's understanding of

the business will be distributed in writing to the Board before the Board meets. Management will make every attempt to ensure that the materials being distributed are as concise as possible while giving directors sufficient information to make informed decisions. The Board acknowledges that, under certain circumstances, written materials may be unavailable to directors in advance of a meeting, and that certain items to be discussed at the Board meetings are of an extremely sensitive nature such that the distribution of materials on these matters prior to the Board meeting may not be appropriate.

### **Executive Session**

The non-management directors of the Board should hold an executive session at the end of each regularly scheduled Board meeting.

### **Involvement of Senior Management**

#### **Attendance of Non-directors at Board Meetings**

The Board welcomes the attendance at Board meetings of non-board members who are present for the purpose of making presentations, responding to questions by the directors, or providing counsel on specific matters within their area of expertise.

#### **Board Access to Management and Outside Advisors**

Board members have complete access to the Company's management and outside advisors. Board members' contact with such individuals shall be handled in a manner that would not be disruptive to the business operation of the Company. Furthermore, the Board encourages management to bring executives into Board meetings who (a) can provide additional insight into the items being discussed because of personal involvement in these areas, and/or (b) are executives with future potential that the senior management believes should be given exposure to the Board.

### **Committee Matters**

#### **Number, Structure, and Independence of Committees**

The Board currently has four committees: Audit, Compensation, Nominating and Governance, and Executive. From time to time the Board may want to form a new committee or disband a current committee, depending upon the circumstances. The Nominating and Governance Committee is responsible for evaluating and recommending to the Board the responsibilities of the Board committees, including the structure, operation, and authority to delegate subcommittees. Each of the Audit Committee, Compensation Committee, and Nominating and Governance Committee shall be comprised solely of independent directors. Each of these committees shall adopt a charter outlining the responsibilities of the committee.

#### **Assignment of Committee Members**

The Nominating and Governance Committee is responsible, after consultation with the Chairman of the Board and with consideration of the desires of individual Board members, for recommending to the Board the assignment of Board members to various committees. The Board shall determine committee assignments and designate the chairman of each committee.

Consideration should be given to rotating committee members periodically, but the Board does not have a firm policy mandating rotation of committee assignments, since there may be reasons to maintain an individual director's committee membership for a longer period.

### **Frequency and Length of Committee Meetings**

The committee chair, in consultation with committee members, will determine the frequency and length of the meetings of the committee. The committee chair will report the highlights of meetings to the full Board following each meeting.

### **Committee Agendas**

The committee chair, in consultation with the appropriate members of the committee and management, will develop the committee's agenda. Any director, however, may recommend the inclusion of a specific agenda item for any committee meeting, regardless of whether the director is a member of such committee.

### **Committee Self-Evaluations**

Each committee will conduct an annual self-evaluation of its performance and report its assessment to the Board.

### **Leadership Development**

#### **Annual Evaluation of the Chief Executive Officer**

The independent directors perform an annual evaluation of the Chief Executive Officer. The evaluation should be based on objective criteria, including performance of the business, accomplishment of long-term strategic objectives, and development of management succession. The evaluation will be used by the Compensation Committee in the course of its deliberations when considering the compensation of the Chief Executive Officer.

#### **Succession Planning**

The Chief Executive Officer should provide to the Board an annual assessment on succession planning. There should also be available, on a continuing basis, the Chief Executive Officer's recommendation as a successor should he or she be unexpectedly disabled. This topic should be addressed regularly in Executive Session.

#### **Periodic Review**

The Nominating and Governance Committee is responsible for reviewing these principles, as well as considering other corporate governance principles that may, from time to time, merit consideration by the Board.