

**CHARTER OF THE AUDIT COMMITTEE  
OF THE BOARD OF DIRECTORS OF RITE AID CORPORATION**

1. **Purpose.** The purpose of the Audit Committee of the Board of Directors of Rite Aid Corporation (the “Corporation”) is to:
  - a. Provide assistance to the Board of Directors in fulfilling its legal and fiduciary obligations with respect to:
    - i. Matters involving the accounting, auditing, financial reporting, internal control over financial reporting and disclosure control functions of the Corporation and its subsidiaries,
    - ii. The performance of the Corporation’s internal audit department (“internal auditors”), and
    - iii. Compliance by the Corporation with legal and regulatory requirements; and
  - b. Be directly responsible for the appointment, compensation and oversight of the Corporation’s registered independent public accounting firm (“independent auditors”), including the independent auditor’s qualifications and independence.
  
2. **Composition.** The Audit Committee shall be comprised of three or more independent directors as determined from time to time by resolution of the Board of Directors based upon the recommendation of the Nominating and Governance Committee. Each member of the Audit Committee shall be qualified to serve on the Audit Committee pursuant to the requirements of the Securities and Exchange Commission (the “SEC”), the New York Stock Exchange (the “NYSE”) and any additional requirements that the Board deems appropriate. The Chairman of the Audit Committee shall be designated by the Board of Directors, *provided* that if the Board of Directors does not so designate a Chairman, the members of the Audit Committee, by majority vote, may designate a Chairman. Each member of the Audit Committee shall have a working knowledge of financial and accounting practices and be qualified to serve on the Audit Committee pursuant to the requirements of the NYSE, and at least one Audit Committee member shall meet the definition of an “audit committee financial expert”, as defined under the applicable SEC rules, as determined by the Board of Directors.
  
3. **Meetings.** The Audit Committee shall meet or confer with such frequency and at such intervals as it shall determine is necessary to carry out its duties and responsibilities. The Audit Committee, in its discretion, may ask members of management or others to attend its meetings and conferences (or portions thereof) and to provide pertinent information as necessary. The Audit Committee shall maintain minutes of its meetings and conferences and records

relating to those meetings and conferences and provide copies of such minutes to the Board of Directors.

4. **Duties and Responsibilities.** In carrying out its duties and responsibilities, the Audit Committee's policies and procedures should remain flexible, so that it may be in a position to best react or respond to changing circumstances or conditions. While there is no "blueprint" to be followed by the Audit Committee in carrying out its duties and responsibilities, the following should be considered within the authority of the Audit Committee:

**Oversight of the Corporation's Relationship with the Independent Auditors**

- (a) In its sole discretion, appoint, determine funding for and oversee the independent auditors to audit the financial statements of the Corporation and its subsidiaries for each fiscal year.
- (b) Instruct the independent auditors that they are ultimately accountable to the Audit Committee and that the Audit Committee is directly responsible for the selection, appointment, compensation, evaluation, oversight and termination of the independent auditors.
- (c) Review, discuss and approve the annual audit plan of the independent auditors, including the scope of audit activities, and monitor such plan's progress and results during the year.
- (d) Review and approve the independent auditors' annual engagement letter, including the proposed fees contained therein.
- (e) Review and discuss the results of the annual audit with the independent auditors including their opinion on the financial statements, a schedule of unadjusted differences, any audit problems or difficulties encountered with management's response, any restrictions on the scope of the independent auditor's activities or restrictions on access to requested information, and any significant disagreements with management.
- (f) Review and discuss the results of the annual audit with the independent auditors including their opinion of the

effectiveness of internal control over financial reporting, material weaknesses and significant deficiencies.

- (g) Review and discuss the quarterly results with the independent auditors.
- (h) Obtain from the independent auditors any information with respect to illegal acts that would have a direct and material effect on the determination of financial statement amounts pursuant to Section 10A of the Securities Exchange Act of 1934.
- (i) Review material written communications from the independent auditors to management.
- (j) Review, discuss and pre-approve audit and other permissible non-audit services provided by the independent auditors.
- (k) Oversee the independence of the independent auditors by, among other things:
  - 1) Requiring the independent auditors to deliver to the Audit Committee on an annual basis a formal written statement delineating all relationships between the independent auditors and the Corporation;
  - 2) Actively engaging in a dialogue with the independent auditors with respect to any disclosed relationships or services that may impact the objectivity and independence of the independent auditors and recommending that the Board of Directors take appropriate action to satisfy itself of the auditors' independence; and
  - 3) Pre-approving the hiring of professionals who were members of the audit engagement team of the independent auditors and will be employed by the Corporation in any financial management role.
- (l) Obtain from the independent auditors and review a formal written statement describing their internal quality control procedures and any material issues raised by such procedures or raised by any inquiry or investigation by governmental or professional authorities, within the preceding five years,

relating to one or more independent audits carried out by the firm and any other steps taken to deal with any such issues.

- (m) Review the performance of the independent auditors and, in its sole discretion, make decisions regarding the replacement or termination of the independent auditors when circumstances warrant.

#### **Oversight of the Corporation's Internal Auditors**

- (n) Review, discuss and approve the annual audit plan of the internal auditors and monitor such plan's progress and results during the year.
- (o) Review and discuss the internal auditors' department budget and staffing.
- (p) Review and discuss the internal auditors' reports and management's response as well as the related follow-up to open matters.

#### **Internal Control Over Financial Reporting Matters**

- (q) Review and discuss management's current fiscal year risk assessment and risk management summary which is coordinated by the internal auditors. The summary serves as the basis for prioritizing and allocating resources for the Corporation's plans and also serves as a reference for developing audit plans.
- (r) Review and discuss with management, internal auditors and independent auditors the annual plan to assess the effectiveness of the Corporation's internal control over financial reporting and disclosure control policies and procedures and monitor such plan's progress and results during the year.
- (s) Review and discuss as frequently as necessary with management, internal auditors and independent auditors all significant changes in staff, processes or systems related to internal control over financial reporting along with the related disclosures in the Annual Report on Form 10-K and interim reports on Form 10-Q.

- (t) Review and discuss as frequently as necessary with management, internal auditors and independent auditors all noted material weaknesses and significant deficiencies related to internal control over financial reporting along with the related disclosures in the Annual Report on Form 10-K and interim reports on Form 10-Q.
- (u) Review and discuss internal auditors' monitoring of the established procedures for the receipt, retention and treatment of complaints regarding accounting, internal controls over financial reporting or auditing matters. Procedures are to cover all complaints related to accounting, internal controls over financial reporting or auditing matters whether such complaints are from employees or non-employees and whether submitted confidentially or anonymously. Review incidents of conflicts of interest, ethics matters, and loss prevention cases.
- (v) Review and discuss as frequently as necessary with management, internal auditors and independent auditors any fraud or noncompliance with regulatory requirements involving management or other employees who have a significant role in the Corporation's internal control over financial reporting including any changes to internal control over financial reporting prompted by such fraud.
- (w) Review and discuss with management, internal auditors and independent auditors conflicts or violations of the Corporation's Code of Ethics for the CEO and Senior Financial Officers and conflicts or violations of the Corporation's Code of Ethics and Business Conduct that relate to internal control over financial reporting. Also review and discuss with the internal auditors the annual process for obtaining signed receipt and acknowledgment forms for both codes from the appropriate employees.
- (x) Review the appropriateness of the Corporation's policies and procedures with respect to officers' expense reimbursement and perquisites, including use of corporate assets. Discuss with the internal auditors the effectiveness and compliance with these policies and procedures.

- (y) Advise the Board with respect to the Corporation's policies and procedures regarding compliance with applicable laws and regulations and with the Corporation's Code of Ethics and Business Conduct and Code of Ethics for the CEO and Senior Financial Officers.

### **Financial Reporting and Disclosure Matters**

- (z) Review and discuss with management and the independent auditors the quarter and annual results of operations, financial position, cash flows and disclosures including unusual, significant or non-operating items.
- (aa) Review and discuss with management and the independent auditors material transactions, including alternative treatments within generally accepted accounting principles, ramifications of the use of such alternatives and the treatment preferred by the independent auditors.
- (bb) Review and discuss with management and the independent auditors the actual critical accounting principles and policies and changes in accounting principles and policies, including all alternative treatments of financial information within generally accepted accounting principles, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditors.
- (cc) Review and discuss with management and the independent auditors significant new or proposed accounting principles or financial reporting developments that are applicable to the Corporation.
- (dd) Review and discuss with management and the general counsel, and outside counsel when appropriate, contingencies and legal matters, including the accounting and disclosure treatments.
- (ee) Review and discuss with management, the general counsel, internal auditors and the independent auditors any correspondence with regulators or governmental agencies and any published reports which raise material issues regarding the Corporation's financial reporting.

- (ff) Review with management and the Corporation's independent auditors major areas requiring use of estimates and judgment.
- (gg) Review and discuss with management and the independent auditors significant related party transactions and the disclosure treatment.
- (hh) Review and discuss with management the Corporation's earnings press releases, including the use of non-GAAP financial measures and related reconciliations.
- (ii) Review and discuss with management the Corporation's earnings guidance and other financial projections provided the public, bankers, investment bankers and rating agencies.
- (jj) Meet to review and discuss with management and the independent auditors the annual audited financial statements, including the specific disclosures made, content of management's discussion and analysis, officers' certificates and other disclosures in the Annual Report on Form 10-K prior to filing the Form 10-K and recommend to the Board that: (i) the audited financial statements should be included in the filing and (ii) the Annual Report on Form 10-K as drafted should be filed with the SEC.
- (kk) Meet to review and discuss with management and the independent auditor the unaudited quarterly financial statements, including the specific disclosures made, content of management's discussion and analysis, officers' certificates and other disclosures in the Form 10-Q prior to the filing of the Form 10-Q and approve its filing with the SEC.
- (ll) Prior to any filing with the SEC requiring the issuance of the independent auditors' consent, review and discuss with management and the independent auditors: i) material written communications between management and the independent auditors, ii) changes in critical accounting principles and policies, and iii) material transactions and alternative accounting treatments.

## **Other Matters**

- (mm) Establish and maintain free and open means of communication between and among the Board of Directors, the Audit Committee, the Corporation's independent auditors, the Corporation's internal auditing department and management, including providing such parties with appropriate opportunities to meet privately with the Audit Committee;
- (nn) Cause the Audit Committee's selection of the independent auditor to be submitted to the stockholders of the Corporation for ratification at each annual meeting of stockholders. If a majority of stockholders voting on the matter do not ratify the Audit Committee's selection, the Audit Committee will reconsider its choice of independent auditor taking into consideration the views of the stockholders and may, but will not be required to, appoint a different independent auditor.
- (oo) Review and reassess annually, or more frequently as circumstances dictate, the adequacy of the Audit Committee's purpose, duties, responsibilities and charter and the performance of the Audit Committee;
- (pp) Prepare the report required by the rules of the SEC to be included in the Corporation's annual proxy statement;
- (qq) Secure independent expert advice as the Audit Committee deems necessary, including retaining independent counsel, accountants, consultants or others, the cost of such expert advisors to be borne by the Corporation, to assist the Audit Committee in fulfilling its duties and responsibilities;
- (rr) Report regularly to the Board of Directors on its activities, as appropriate; and
- (ss) Perform such additional activities, and consider such other matters, within the scope of its responsibilities, as the Audit Committee or the Board of Directors deems necessary or appropriate.

5. **Limitation of Audit Committee Role.** While the Audit Committee has the duties and responsibilities set forth in this charter, the Audit Committee is not responsible for planning or conducting the audit or for determining whether the

Corporation's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. Similarly, it is not the responsibility of the Audit Committee to ensure that the Corporation complies with all laws and regulations.