



**CORPORATE OFFICE**  
Philadelphia, Pennsylvania

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July 29, 2022

Via e-mail

Ms. Catherine Rowan  
Socially Responsible Investments  
Trinity Health  
20555 Victor Parkway  
Livonia, MI 48152

Dear Ms. Rowan:

I write at the direction of the Board of Directors of Rite Aid Corporation ("Rite Aid" or the "Company"). Simultaneously with this transmission to you, we are posting this letter on our website.

In your withdrawn proposal, you requested that the Rite Aid "Board of Directors issue a report within twelve months of the 2021 annual meeting, at reasonable expense and excluding proprietary information, assessing how the increased health risks of severe COVID-19 infections to customers that smoke impact our company's evaluation of risks associated with selling tobacco products." Thank you again for allowing us to address your request through dialog and in this written reply.

We agree that "[t]obacco use remains the number one cause of preventable disease, disability, and death in the United States."<sup>1</sup> Our pharmacists recognize this and actively support and engage with customers on smoking cessation efforts.

The risks associated with tobacco products have long been a part of the total facts and circumstances we have considered when deciding whether the Company should sell tobacco products. With those risks, we have considered, among other things, the variety and prominence of smoking cessation products in our stores, educational materials and advice given by our pharmacists regarding the hazards of smoking and the benefits of not using tobacco, the steps taken by the Company's associates to ensure that tobacco products are only sold legally to adults, and the Company's financial performance and obligations.

Rite Aid has operated at a net loss from continuing operations each year since fiscal year ("FY") 2018. For FY 2022, Rite Aid's net loss from continuing operations was \$538.5 million, or \$9.96 loss per share. For the fiscal quarter ended May 28, 2022, the Company's long-term debt, less current maturities, exceeded \$3 billion. The Company must improve its financial performance to increase enterprise value and provide an adequate return to its equity and debt holders. Additionally, if Rite Aid is not able to improve its financial performance, it may cause us to close additional pharmacies, which will have a negative impact on our customers and the

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<sup>1</sup> Smoking Cessation: A report of the Surgeon General (2020).

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communities in which they live, particularly if they are in communities where pharmacy access is limited. This would, of course, only make needed care and healthcare advice more difficult to access.

As a retail pharmacy and pharmacy services organization committed to helping our customers achieve whole health for life, this decision is not a simple one for us. We carefully consider this topic from time to time at both the executive and board levels. The Board of Directors has accepted management's recommendation that, at this time and where legal to do so, the Company continue to sell tobacco products to adults.

In addition to emphasizing the need to improve the Company's financial performance, the Board also recently instructed management to develop and present to the Board a plan pursuant to which the Company would stop selling tobacco products. The Board expects that plan to be partially dependent on improvement in the Company's financial performance.

Until that plan is approved and achieved, we expect the Company to continue to discourage the use of tobacco and emphasize smoking cessation efforts. We note that in fiscal year ("FY") 2022 as compared to FY 2021, cigarette sales were down 17.6%, tobacco sales were down 31.9%, and total cigarette and tobacco sales were down 18.1% as compared to FY 2021. Further, for fiscal year 2021 as compared to FY 2020, cigarette sales were down 20.3%, tobacco sales were down 52.1%, and total cigarette and tobacco sales were down 22.1% as compared to FY 2020.

As you noted in your withdrawn proposal, in early 2019, Rite Aid proactively discontinued "the sale of e-cigarettes and vaping products in the wake of an outbreak of 'e-cigarette or vaping product use-associated lung injury' (EVALI), which by February 2020 had reached a total of 2,807 hospitalized EVALI cases or deaths, according to the Centers for Disease Control and Prevention." We believe the steps outlined in this letter are consistent with the leadership we showed in preventing EVALI cases or deaths and demonstrate our commitment to helping our customers achieve whole health for life.

While we understand that you likely disagree with our decision, we hope you will also consider the efforts of our pharmacists and associates to support and encourage the health of their local communities, including smoking cessation efforts. Among other efforts, our pharmacists offer the "Quit for You" program. Through this coaching-based, goal-oriented approach to stop smoking, our pharmacists consult with customers to create a personalized "quit plan." After this, customers can receive follow-up coaching sessions and recommendations for smoking cessation products as needed. The plan focuses on the many positive effects that quitting smoking has on the customer, and those around them.

Also, as you likely know, our strategy emphasizes the positive role our pharmacists have when they engage with customers to work to improve their health outcomes. The value of those efforts was seen, for example, during the pandemic through grass roots vaccination clinics, including those in underserved communities that resulted in the award to our teams of the John R. Lewis Civil Rights Award from Philadelphia Chapter of NAACP. We believe our pharmacists will continue to have a positive impact by encouraging smoking cessation efforts.

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Finally, whether smoking increases the health risk of severe COVID-19 infections appears to remain subject to scientific debate based on our review of scientific studies and papers through May 2022. In part, it seems that it has been difficult to clearly establish that smoking, as opposed to other factors or conditions, is the direct cause of more severe COVID-19. Regardless, as stated above, we agree that tobacco use is detrimental to public health. As a healthcare company committed to the whole health of our customers, we have a responsibility to do all that we can to encourage consumers to make healthy choices, including to stop using tobacco.

We remain happy to discuss this matter with you.

Sincerely,

DocuSigned by:

Paul Gilbert

Paul D. Gilbert

Executive Vice President,  
Chief Legal Officer and Secretary