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RITE AID CORPORATION
BOARD REPORT TO STOCKHOLDERS
ON OVERSIGHT OF RISK RELATED TO OPIOIDS

As one of the nation's leading drugstore chains, Rite Aid Corporation and its affiliates (collectively "Rite Aid," "our," or "we") takes its role as a community healthcare provider very seriously—With us, it's personal. In that regard, Rite Aid's Board of Directors, along with its Senior Management, recognizes and is deeply concerned about the impact of the current opioid crisis on families and communities. We believe it is important to go beyond simply complying with state laws and regulations to also raise awareness about important issues of prescription drug safety and drug abuse prevention and advocating for increased access to education, treatment and proper medication disposal. We have dedicated extensive efforts to considering how best to manage risks relating to the opioid crisis and remain committed to continuing to evaluate our programs and policies and to strengthen our risk management.

This report discusses the oversight by the Board of Directors of Rite Aid's management of risks related to the dispensing of prescription opioid medication ("prescription opioids") and the work Rite Aid undertakes to address the opioid epidemic. As of September 3, 2019, Rite Aid had 2,465 retail stores located in 18 states and employed more than 50,000 associates including pharmacists, pharmacy technicians, and health related employees, who live and work in the communities we serve. Rite Aid dispenses controlled substances, including prescription opioids, to patients through its retail pharmacies and EnvisionPharmacies. All of the controlled

substances dispensed by Rite Aid to its patients are distributed by pharmaceutical manufacturers to Rite Aid's pharmacies through its third party wholesaler, McKesson Corporation. Rite Aid has not self-distributed any Schedule II controlled substances since at least 1995 and has not self-distributed any other controlled substances since 2014. Further, Rite Aid has never distributed controlled substances to pharmacies that it did not own.

I. Corporate Governance

Rite Aid has a corporate governance structure in place to effectively and efficiently monitor and manage the financial and reputational risks arising from the opioid crisis. Rite Aid's compliance organization and reporting structure are designed to effectively apprise the Board of Directors and Rite Aid Senior Management of the risks associated with the opioid crisis.

A. Board of Directors Oversight

Rite Aid's Board of Directors, which is chaired by an independent director, oversees risk management and considers specific risk topics on an ongoing basis, including the risks associated with prescription opioids. The Board also receives periodic updates from internal subject matter experts with regard to the overall effectiveness of Rite Aid's risk management program and significant areas of risk to Rite Aid, including areas of risk identified by the Board, a Board committee, or management, such as through the Corporate Compliance Committee, as described below. Rite Aid also utilizes external advisors as necessary to assist with its risk management program. These risks include those concerning prescription opioid dispensing-related activities and initiatives to combat addiction in the communities Rite Aid serves. Rite Aid's head of compliance, its Group Vice President of Privacy, Compliance and Internal Assurance updates the full Board of Directors and specific committees of the Board of Directors, as applicable. In addition, Rite Aid's General Counsel presents a legal update to the Audit Committee and to the Board of Directors. To oversee and address more specific categories of

risk, the Board maintains the following committees: the Audit Committee, the Compensation Committee and the Nominating and Governance Committee.

The Audit Committee, which consists solely of independent directors, oversees our compliance program and therefore has the primary oversight role with respect to many of the risks related to the opioid crisis. The Audit Committee’s charter specifically states that the purpose of the Audit Committee is, in part, to “[p]rovide assistance to the Board of Directors in fulfilling its legal and fiduciary obligations with respect to . . . [c]ompliance by [Rite Aid] with legal and regulatory requirements . . . ” With respect to discussions of the Corporate Compliance Committee relating to regulatory matters, including those involving prescription opioids, which are described further below, the Group Vice President of Privacy, Compliance and Internal Assurance updates both the full Board of Directors and the Audit Committee on regulatory and compliance matters. Rite Aid’s Group Vice President of Privacy, Compliance and Internal Assurance, General Counsel, and any necessary subject matter experts all participate in providing reports to the Audit Committee. The Audit Committee also receives and reviews quarterly reports on risk management and patient safety. Further, the General Counsel provides regular reports to the Audit Committee and to the Board of Directors about material litigation, material investigations and any other material compliance matters, including those related to prescription opioids. The Audit Committee has executive sessions with our Group Vice President of Privacy, Compliance and Internal Assurance. Through the Audit Committee, Rite Aid’s Board of Directors is committed to ensuring that Rite Aid is developing cutting edge solutions to curb prescription opioid abuse through the development and expansion of education, safe prescription drug disposal, and pharmacy safeguards as further described below.

B. Senior Management Review and Oversight

Rite Aid has a compliance committee structure comprised of several sub-committees of the Corporate Compliance Committee that focus on specialized areas such as, but not limited to, Human Resources, Data Protection, and Pharmacy. Of specific import to the oversight of prescription opioid matters is the Pharmacy Compliance Sub-Committee. The Pharmacy Compliance Sub-Committee meets every other month (including prior to the quarterly Corporate Compliance Committee Meeting), and is comprised of a cross-functional team of subject matter experts from multiple departments within Rite Aid which include, but are not limited to, Pharmacy Operations, Legal, Regulatory Affairs, Human Resources, Internal Assurance & Compliance Monitoring, and Risk Management. Rite Aid's Group Vice President of Privacy, Compliance and Internal Assurance attends each Pharmacy Compliance Sub-Committee meeting. Pursuant to its charter, the Pharmacy Compliance Sub-Committee is tasked with overseeing compliance with laws and regulations and certain operational policies and procedures, as considered necessary, pertaining to the pharmacy areas of Rite Aid stores, and guiding Rite Aid's compliance and improvement efforts in these areas. As a result, the Pharmacy Compliance Sub-Committee discusses pharmacy-related regulatory and compliance concerns, including regulatory concerns regarding prescription opioids.¹ The Pharmacy Compliance Sub-Committee considers areas of risk and exposure and works to develop solutions and/or recommendations to mitigate such risks and exposures. Many of the initiatives described

¹ The DEA has defined certain controlled substances including oxycodone, oxymorphone, methadone, suboxone, hydrocodone, tramadol and certain combination of products commonly known as the "trinity" (oxycodone, alprazolam and carisoprodol or any combination of drugs from these three drug classes) as being at a higher risk for abuse and diversion and, as such, these products are a primary focus for Rite Aid's procedures for validating and dispensing high-alert controlled substance medications.

in Section III below originated pursuant to discussions among members of the Pharmacy Compliance Sub-Committee.

The Pharmacy Compliance Sub-Committee provides updates on pertinent matters, including prescription opioid risks, to the Corporate Compliance Committee. The Corporate Compliance Committee, which meets at least on a quarterly basis, consists of Rite Aid Senior Management, including, but not limited to, the Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Chief Human Resources Officer, General Counsel, and Executive Vice President of Retail and Pharmacy Operations. The Corporate Compliance Committee is chaired by the Group Vice President of Privacy, Compliance and Internal Assurance. The Chair of the Pharmacy Compliance Sub-Committee, which is a position held by Rite Aid's Senior Vice President of Pharmacy Operations, is tasked with updating the Corporate Compliance Committee and presenting possible solutions and recommendations. Critical subject matter experts also attend Corporate Compliance Committee meetings and present on the pertinent regulatory issues currently facing Rite Aid. Rite Aid Senior Management remains engaged and involved with all of the issues discussed at the Corporate Compliance Committee meetings, including issues related to the opioid crisis, and works with the Pharmacy Compliance Sub-Committee and subject matter experts to develop plans to address concerns that have been raised and otherwise mitigate risks.

This oversight structure provides the framework to effectively and efficiently monitor and manage financial and reputational risks arising from the opioid crisis.

II. Compensation Metrics

The Compensation Committee of the Board of Directors develops and makes recommendations to the Board of Directors with respect to executive compensation policies at

Rite Aid. Under the oversight of the Board, Rite Aid has taken effective measures to ensure that all of its pharmacy personnel responsible for filling prescriptions for controlled substances are not financially incentivized or otherwise encouraged to fill such prescriptions. Specifically, since 2013, controlled substances, which include prescription opioids, *are not* included as a factor in determining store prescription count bonus compensation. As such, pharmacy personnel have no financial incentive to encourage the filling of such prescriptions. Additionally, we do not include controlled substance prescriptions as a separate metric when determining bonus incentives for any other employees.

III. Continuing Efforts to Combat the Opioid Crisis

Rite Aid is committed to working with its customers, community groups, law enforcement and federal and state agencies to help combat the opioid crisis that is impacting families and communities throughout the United States. The oversight and reporting framework described above has led Rite Aid to develop a comprehensive strategy to respond to and address prescription opioid and other drug abuse and misuse, including the following policies and initiatives:

- **Patient Education.** Rite Aid educates patients so they understand the risks of prescription opioid abuse starting with their first opioid prescription, including providing all patients with new opioid prescriptions with mandatory counseling, both verbal and written, on their prescription from Rite Aid pharmacists. This counseling not only addresses the risk of taking opioids, but also how to safely take, store and dispose of the medication, as well as the importance of naloxone.
- **Safe Prescription Drug Disposal.** DisposeRx, a first-of-its-kind opioid disposal solution, is available at all of Rite Aid's pharmacies nationwide. Rite Aid provides DisposeRx packets to patients with new opioid prescriptions and offers DisposeRx packets to patients with chronic opioid prescriptions every six months. DisposeRx packets contain a biodegradable powder that, when mixed with water in the prescription vial, dissolves drugs, forming a viscous gel which may be safely discarded in the trash.

- **Safe Medication Disposal Units.** Rite Aid has installed 100 safe medication disposal units in Rite Aid stores nationwide, since 2018, with plans of continued expansion. Rite Aid has partnered with Google to make all of its safe medication disposal units searchable on Google Maps.
- **KidCents Safe Medication Disposal Program.** Rite Aid developed the KidsCents Safe Medication Disposal program that is supported through the Rite Aid Foundation and provides medication disposal units, free of charge, to local and state law enforcement agencies and enables individuals to drop off unwanted or expired medications in secure, safe locations. The Rite Aid Foundation committed \$1 million to this initiative and, to date, over 450 units have been installed across the country since the launch of the program in August 2017.
- **National Take-Back Days.** Rite Aid supports National Take-Back Days to encourage Rite Aid’s patients to bring their unused or unwanted medications to designated sites sponsored by local law enforcement and the DEA for proper handling.
- **Drug Safety and Disposal Resource.** Rite Aid provides resources on drug safety and disposal on Rite Aid’s website under the heading “Pharmacy & Immunizations – Drug Safety & Disposal.” Visitors can search for a disposal site in their community, learn how to properly dispose of medication at home, access resources provided by the Food and Drug Administration (FDA) and the Drug Enforcement Administration (DEA), and find information on treatment for drug abuse and addiction.
- **Youth Education Programs.** The Rite Aid Foundation has committed \$1.7 million over three years in partnership with EVERFI, a leading education technology company, to educate high school students to make safe and healthy decisions about prescription drugs. The digital prescription drug abuse prevention course is the flagship initiative of the Prescription Drug Safety Network, the nation’s first public-private initiative to combat prescription drug abuse by providing prevention education to schools.
- **Prescription Drug Monitoring Programs.** Since March 2013, Rite Aid has had a policy that requires all pharmacists to be enrolled in their respective state’s Prescription Drug Monitoring Program (PDMP) where applicable. All states in which Rite Aid currently has pharmacy operations offer pharmacists PDMP access. All Rite Aid pharmacists must attest annually that their PDMP access is active.
- **NarxCare—Prescription Monitoring Program Analytics Tool.** In the summer of 2019, NarxCare, a tool within Rite Aid’s pharmacy dispensing system which allows pharmacists to more effectively and efficiently access Prescription Monitoring Programs (“PMP”) in 12 states, was rolled out. Specifically, NarxCare allows pharmacists to utilize the PMP to obtain relevant information

within the workflow to determine the risk of overdose. NarxCare was implemented in the states in which we do business as permitted by law in Colorado, Connecticut, Delaware, Idaho, Massachusetts, Michigan, New Jersey, Nevada, Ohio, Oregon, Pennsylvania and Virginia.

- **Proactive Controlled Substance Prescription Review.** Rite Aid has continued its process to identify physicians with questionable prescription writing practices, and proactively discontinuing filling controlled substances from certain prescribers.
- **Proprietary Prescription Dispensing System.** Rite Aid has a robust proprietary prescription dispensing system with built-in logic to assist Rite Aid’s pharmacists in providing patient care in a safe and effective manner while ensuring regulatory compliance.
- **Controlled Substance Validation Process.** Rite Aid’s pharmacy system utilizes a standardized automated six-step “High Alert Controlled Substance Validation Process” also referred to as “red flag” process to assist pharmacists in verifying controlled substance prescriptions for high alert medications.² The “red flag” process requires Rite Aid pharmacists to regularly review controlled substance prescriptions for patients not known by the pharmacy and where there may be concerns or suspicions of controlled substance misuse.
- **Early Refill Intercepts.** Rite Aid’s pharmacy system utilizes a prompt system when an attempt is made to refill a controlled substance prescription more than 48 hours prior to the due date of the refill.
- **Combination Use Alerts.** Prompts are in place to alert Rite Aid pharmacists to check their respective state’s PMP program as regulations require.
- **Notice of Fraudulent Prescriber Activity.** When Rite Aid receives notification from the Board of Pharmacy, a respective state’s PDMP program, and/or prescriber notification regarding fraudulent prescriber activity, Rite Aid’s pharmacists receive a prompt through the pharmacy system to alert them to the recent fraudulent activity and to validate the authenticity of prescriptions from the prescriber.
- **Access to Critical Opioid Overdose-Reversal Drug.** Naloxone, a medication that can be used to reverse the effects of an opioid overdose, is available in every Rite Aid store nationwide without a prescription.
- **Opioid Overdose Training.** Rite Aid’s pharmacists are prepared to respond to opioid overdose scenarios. Rite Aid requires its pharmacists to complete a

² This was a manual process prior to 2015.

computer-based training program and two hours of continuing education training prior to dispensing Naloxone. As part of this comprehensive training, pharmacists are trained on how to identify symptoms of an overdose and what to do in the event of an overdose, including how to safely administer Naloxone to a patient.

- **Good Samaritan Policy.** Rite Aid’s Good Samaritan Policy protects Rite Aid associates from disciplinary action and lawsuits when they respond to medical emergencies, including through the administration of Naloxone for overdoses, on Rite Aid premises. Rite Aid put the *Good Samaritan Policy* in place to ease concerns and eliminate hesitation when responding to situations where immediate medical attention may be necessary to avoid serious injury and/or death. In situations when a medical emergency or crisis occurs on Rite Aid premises, in addition to calling 911, associates who are properly trained and permitted by law to respond to such a situation may do so without fear of any Rite Aid disciplinary action and the guaranty that Rite Aid will assist or defend them in any legal proceeding that might be brought.
- **Ongoing Pharmacist Education and Training.** Rite Aid provides ongoing education and training to Rite Aid pharmacists on DEA regulations, sharing of responsibility with other healthcare providers with respect to controlled substances including prescription opioids, as well as risk factors for opioid abuse, how to identify symptoms of an overdose and what to do in the event of an overdose, an overview of the various naloxone therapies available, and proper administration of each and recommendations for follow-up care.

In addition to the policies and initiatives that Rite Aid has implemented on its own to respond to and address the opioid crisis, Rite Aid trains its pharmacists to clearly and concisely communicate the CDC opioid prescription guidelines to patients when any prescription opioids are dispensed. As we implement and expand the programs described above, Rite Aid remains committed to continuing to evaluate and develop additional programs and initiatives to combat the opioid crisis.

IV. Public Policy

Rite Aid’s Code of Business Ethics & Conduct (the “Code”) prescribes Rite Aid’s policies with respect to political contributions and activities and lobbying activities. To ensure compliance with the Code, Rite Aid’s legal department must be notified in connection with any

lobbying activities and payment of Rite Aid funds to any political party, candidate or campaign by any Rite Aid associate.

Rite Aid supports and advocates all legislative and regulatory efforts that are consistent with the Centers for Disease Control and Prevention (CDC) guidelines for the prescription of opioids. Rite Aid works with elected leaders to recommend policies and best practices related to prescription drug safety, including safe prescribing practices, prescription drug monitoring and disposal of unused prescription drugs. Other legislative and regulatory efforts include limiting acute opioid prescriptions to a seven-day supply, limiting the daily dosage of dispensed opioids based on the strength of the opioid and requiring the use of immediate-release opioid formulations before extended release opioid formulations are dispensed. Members of Rite Aid management also have attended and participated in White House events and summits specific to the opioid crisis.

V. Stakeholder Engagement

We have increased our efforts to engage with many of our larger stockholders and we value the input they have provided. We welcome engagement from stockholders with specific concerns relating to Board oversight of our response to the opioid crisis. As we continue to actively engage with our stockholders throughout the year, we share feedback from those discussions with our entire Board of Directors.

VI. Conclusion

As evidenced by this report, the Board of Directors, Rite Aid's Senior Management, and Rite Aid's employees are committed to strong oversight of the management of risks related to the dispensing of prescription opioids and clearly recognize the opioid epidemic that is afflicting Americans across the country as a serious public health issue. As described in this report, Rite

Aid has implemented robust governance mechanisms to tackle risks and concerns related to the opioid crisis. Moreover, Rite Aid has numerous company-wide initiatives to make progress in addressing the opioid crisis and remains committed to continuing to evaluate and develop additional programs and initiatives to combat the opioid crisis and to our commitment to all we serve. Going forward, Rite Aid will continue to report on our efforts around initiatives to combat the opioid crisis through press releases and social media announcements, as appropriate, and more formally through Rite Aid's annual Corporate Social Responsibility Report³ which is produced by our Corporate Social Responsibility Department. As all of the activities outlined above demonstrate, Rite Aid's Board and Senior Management are committed to strong oversight of the risks associated with the dispensing of controlled substances including prescription opioids—With us, it's personal.

³ Rite Aid previously published its first Corporate Social Responsibility Report on June 28, 2019.

Legal Notice

All statements in this report that are not historical, including goals for and projections of future results, the expected execution and effect of Rite Aid's strategies and initiatives related to controlled substances, constitute forward-looking statements that are based on current societal, market, competitive and regulatory expectations. These forward-looking statements are not guarantees of future performance and are subject to risks, uncertainties and assumptions, known or unknown, which could cause actual results to vary materially. These statements speak only as of the date they are made and, except to the extent required by the law, Rite Aid undertakes no obligation to update publicly any forward-looking statement included in this report, whether as a result of new information, future events, changes in assumptions or otherwise. Please see Rite Aid's latest Annual Report on Form 10-K and subsequent SEC filings for a discussion of risks that could cause actual results to vary materially from those indicated or anticipated.

All information in this report speaks only as of the date hereof unless otherwise specified, and Rite Aid undertakes no obligation to update publicly any such information.

Certain information relating to the risks related to the dispensing of opioids, including but not limited to information regarding the past and projected future financial impact on Rite Aid of its dispensing of prescription opioids, is not included in this report given existing litigation matters and ongoing regulatory reviews.

For more information about the role of the Board of Directors and our Committees and our corporate governance developments, please see our 2019 Proxy Statement.