

Walgreen Co.
Corporate Governance Guidelines

1) Selection of Chairman and CEO

The by-laws of the Company provide that the Chairman may, but need not be the Chief Executive Officer. The Board believes that this decision is part of the overall governance process and is a matter to be considered based upon circumstances.

2) Chairman/Lead Director

The Board may designate a non-executive Chairman or Lead Director from among its independent directors. The Chairman or Lead Director's role is to strengthen the communications between the Board and the Chief Executive Officer, and to enhance the Board's oversight role. The duties of the non-executive Chairman or Lead Director, as the case may be, include: presiding at meetings of the Board and executive sessions of the independent directors; developing Board meeting agendas and information to be provided to the Board in collaboration with the Chief Executive Officer; serving as a liaison and supplemental channel of communication between independent directors and the Chief Executive Officer without inhibiting direct communication between the Chief Executive Officer and other directors; being available to discuss with the other independent directors any concerns they may have, and as appropriate, relaying those concerns to the full Board; being a sounding board and advisor to the Chief Executive Officer regarding his concerns and those of the independent directors; and if requested by major shareholders, being available for consultation and direct communication.

The designation of the non-executive Chairman or Lead Director is made upon the recommendation of the Nominating and Governance Committee each year coincident to the nomination of Board members.

3) Board Committees

The Board has the following committees: Audit, Compensation, Nominating and Governance, and Finance. The Board has the flexibility to form a new committee or disband a current committee, provided that the Board at all times shall have a standing Audit, Compensation and Nominating and Governance Committee, each with its own charter. Only independent directors may serve on the Audit, Compensation and Nominating and Governance Committees. Independence is determined in accordance with the standards of the New York Stock Exchange and Nasdaq and the Company's categorical standards. Audit Committee members must also satisfy the independence requirements under Securities and Exchange Commission rules.

4) Assignment of Committee Members

The Board designates committee members, upon the recommendation of the Nominating and Governance Committee, taking into account the desires of individual Board members and suggestions of the Chairman and the Chief Executive Officer. Committee assignments and Chair appointments are made each year after election of Board members. Considerations such as continuity, expertise and Board tenure are significant in committee placement.

5) Frequency and Agenda for Committee Meetings

The Chair of each committee, in consultation with its members and subject to the applicable committee's charter, determines the frequency of the meetings of the committee. The Chair of each committee, in consultation with the Chairman, committee members, and appropriate officers and staff, develops the committee's agenda. Each committee makes regular reports to the full Board.

6) Frequency and Agenda for Board Meetings

There are six regularly scheduled Board meetings. The Chairman or Lead Director, as the case may be, establishes the agenda for each Board meeting in collaboration with the Chief Executive Officer. Each Board member may suggest the inclusion of items on the agenda and may raise at any Board meeting subjects that are not on the agenda for that meeting.

7) Board Materials Distributed in Advance

Information and data that is important to the Board's understanding of the business is distributed in writing to Board members in advance of meetings whenever practicable. Management will make every attempt to see that this material is provided in a clear and concise form. Management will provide key information regarding the Company's business and financial results between meetings.

8) Presentations

Presentations on specific subjects will be sent to Board members in advance whenever practicable so that Board meeting time is conserved and discussion time focused on the Board's questions about the material.

On those occasions when there is not prior distribution of a presentation due to the sensitivity of the subject matter, each Board member will be advised by telephone in advance of the meeting of the subject and the principal issues the Board will need to consider.

9) Executive Sessions of the Independent Directors

Independent directors meet in regularly scheduled sessions in conjunction with each quarterly Board meeting, and at other times at their discretion. The non-executive Chairman or Lead Director serves as chair of the executive sessions.

10) Board Access to Senior Management

Board members have complete access to the Company's management and its outside auditors. The Board encourages management to bring managers who can provide additional insight into the items being discussed into Board meetings.

11) Board Compensation Review

Changes in Board compensation, if any, are recommended by the Nominating and Governance Committee, with full discussion and concurrence by the Board. The amount and form of compensation is determined in the context of that which is customary and competitive.

12) Size of the Board

It is the sense of the Board that a size of nine to twelve members is appropriate. The Company's by-laws currently permit a maximum of twelve members.

13) Mix of Inside and Independent Directors

It is the policy of the Board that at least two-thirds of the Board members should be independent directors. Independence is determined in accordance with the standards of the New York Stock Exchange and Nasdaq and the Company's categorical standards.

14) Board Membership Criteria, Orientation and Responsibilities

The Nominating and Governance Committee establishes selection criteria that identify desirable skills, experience and personal attributes for prospective Board members. The Board, with the assistance of the Nominating and Governance Committee, selects candidates to join the Board, using the criteria and other priorities established from time to time.

The Board maintains an orientation process for new Board members, which includes distribution of background materials and meetings with key members of management. Management develops continuing education programs for the independent directors, which provide opportunities for regular exposure to various aspects of the Company's business.

Directors are expected to attend the annual meeting of shareholders and all meetings of the Board and the committees of which they are members, unless prevented by unavoidable circumstances. Each director must review materials submitted to him/her in advance of any such meeting so as to familiarize himself/herself with those matters. The Board reviews major business strategies and significant financial commitments.

15) Share Ownership by Directors

The Board believes that all directors should own stock in the Company. Directors are expected to own stock in the Company in accordance with the Director Share Ownership guidelines established by the Board.

16) Assessing the Board's Performance

The Nominating and Governance Committee oversees a process by which the Board's performance is evaluated by each Board member annually. In addition, each Board committee evaluates its performance annually. The results of these evaluations are reported to the Board.

17) Directors Who Change Their Present Job Responsibility

The Board believes that individual directors who change the principal business, occupation or position they held when they were elected to the Board, or significantly add to their directorships in other corporations during their tenure as a director of the Company, should notify the Nominating and Governance Committee of such change and volunteer to resign from the Board. The Board does not believe that such directors should necessarily leave the Board. Rather, there should be an opportunity for the Board, acting through and upon the recommendation of the Nominating and Governance Committee, to review the appropriateness of continued Board service under such circumstances.

18) Conflicts of Interest

Individual directors who become subject to circumstances presenting potential conflicts of interest with their duties as directors of the Company must notify the Nominating and Governance Committee of such potential conflicts in order to afford an opportunity for the Board, acting through and upon the recommendation of the Nominating and Governance Committee, to review the appropriateness of continued Board service under such circumstances.

19) Term Limits

The Board does not believe it should establish term limits. While term limits may give rise to fresh ideas and viewpoints, they would cause the removal of directors who have been able to develop, over a period of time, increasing insight into the Company and its operations and, therefore, provide an increasing contribution to the Board as a whole.

20) Retirement Age

The Board has established a general retirement age of 72. No individual will be nominated for election to the Board after his or her 72nd birthday unless the Nominating and Governance Committee makes a finding that the nomination of the individual is in the best interests of the Company notwithstanding the individual's age and the nomination is also approved by the full Board.

21) Formal Evaluation of the Chief Executive Officer

The Compensation Committee makes an annual evaluation of the Chief Executive Officer, which is reviewed with the Board. The evaluation is based on criteria, including performance of the business, accomplishment of long-term strategic objectives and development of management. The evaluation is used by the Compensation Committee in the course of its deliberations when considering the compensation of the Chief Executive Officer.

22) Succession Planning and Management Development

The Board, acting through and upon the recommendation of the Compensation Committee, plans for succession to the position of Chief Executive Officer as well as certain other senior management positions. To assist in that planning, the Chief Executive Officer annually provides the Compensation Committee and the Board with a report on management development, including an assessment of senior managers and their succession potential.

23) Review of Strategic Plans

The strategic plans of the Company are reviewed annually by the Board with those members of management having responsibility for their development and execution.

24) Board Interaction with Institutional Investors, the Press, Customers and Others

The Board believes that management speaks for the Company.

25) Outside Advisors

The Board and each of its committees may, as necessary and appropriate, engage legal, financial or other advisors.

26) Shareholder Engagement Process

In the event that a shareholder proposal that is precatory in nature receives the affirmative votes of a majority of the votes cast, excluding abstentions and broker non-votes, the Nominating and Governance Committee, or an independent member of the Board designated by the Nominating and Governance Committee, will meet with the proponent of the proposal within six months following the annual meeting at which the proposal was approved to obtain any additional information to provide to the Board for its further consideration of the proposal. Following the meeting with the proponent, the Nominating and Governance Committee will present to the Board the proposal and any additional relevant information, as well as the Committee's recommendation for action.

27) Poison Pill

The Company has no current intention to adopt a shareholder rights plan without prior shareholder approval. If the Board, in the exercise of its fiduciary responsibilities, determines that it is in the best interest of shareholders under the circumstances to adopt a rights plan without the delay in adoption that would result from seeking shareholder approval, such plan will provide that it will expire unless within 12 months of the adoption of such plan its continued existence is submitted to the shareholders for ratification. If the rights plan is not approved by a majority of the votes cast on this issue at a meeting held for ratification, the plan will immediately terminate.