

Walgreen Co. **Audit Committee Charter**

Purpose

The Board of Directors (the “**Board**”) of Walgreen Co. (the “**Company**”) has established the Audit Committee (the “**Committee**”) to assist in the oversight of: (1) the quality and integrity of the Company’s financial statements; (2) the Company’s compliance with legal and regulatory requirements; (3) the outside auditor’s qualifications and independence; and (4) the performance of the Company’s outside auditor and internal audit function.

While the Committee has the responsibilities and powers set forth below, it is not the purpose or duty of the Committee to plan or conduct audits or to opine that the Company’s financial statements are complete, accurate and prepared in accordance with generally accepted accounting principles. This is the responsibility of management and the outside auditor. Nor is it the purpose or duty of the Committee to conduct general investigations or to assure compliance with laws and regulations.

Composition

The Committee must be comprised of a minimum of three independent directors, determined in accordance with the New York Stock Exchange and The Nasdaq Stock Market regulations, the Company’s categorical standards, and Securities and Exchange Commission (“**SEC**”) Rule 10A-3(b)(1)(ii).

The members of the Committee are appointed by the Board upon recommendation of the Nominating and Governance Committee and the Chairman of the Board, and serve at the discretion of the Board. One member of the Committee is appointed by the Board as Chair, upon recommendation of the Nominating and Governance Committee and the Chairman of the Board.

Each member of the Committee must be financially literate, as such qualification is interpreted by the Board in its business judgment. At least one member of the Committee must have accounting or related financial management expertise, as the Board interprets such qualification in its business judgment. And at least one member of the Committee must, in the judgment of the Board, qualify as an “audit committee financial expert” under SEC Item 407(d)(5)(ii) of Regulation S-K.

Authority

The Committee has the authority to investigate any activity of the Company in order to adequately discharge its responsibility, and to expand its knowledge of the Company’s financial operations. The Committee must have direct access to the Company’s

outside auditor, the General Auditor (who is responsible for the internal audit function) and any other executive or manager of the Company.

The Committee has the authority to retain accountants, outside counsel and other advisors as the Committee deems appropriate in its sole discretion. The Committee is authorized to approve related fees and retention terms and will receive appropriate funding from the Company for such purpose.

Meetings

The Committee must meet at least quarterly, and may hold such additional meetings as it deems necessary. A majority of the members will constitute a quorum. A majority of the members present at a duly constituted meeting may decide any question brought before the Committee.

The Chair may request that members of management, the Secretary of the Company, representatives of the outside auditor, and the General Auditor be present at its meetings. The Committee must regularly meet separately with management, the outside auditor and the General Auditor.

Minutes

The Secretary of the Company or the Chair's designate will prepare the minutes of the Committee's meetings. Minutes will be distributed to Committee members and to the Company's directors who are not Committee members. The Secretary of the Company will maintain copies of all minutes as permanent records.

Specific Duties

Acting in a manner that is consistent with the purpose and authority described above, the Committee will perform such specific duties as it deems appropriate, including the following:

1. At least annually, review the adequacy of this Charter and recommend any proposed changes to the Board for approval.
2. Ensure that this Charter is published as required by the SEC, including in the proxy statement and on the Company's website.
3. Review and discuss with management and the outside auditor the annual audited financial statements and quarterly financial statements, including disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations" prior to filing with the SEC or distribution to shareholders and the public. Based on review and discussion, make a recommendation to the Board that the Company's financial statements be filed with the SEC.

4. Request the outside auditor to report on matters required to be communicated to the Committee in accordance with applicable auditing standards.
5. Review any disclosures made by the Company's Chief Executive Officer and Chief Financial Officer during their certification process for the Form 10-K and Form 10-Q about any significant deficiencies in the design or operation of internal controls, or material weaknesses therein, and any fraud involving management or other employees who have a significant role in the Company's internal controls.
6. Discuss generally earnings press releases, as well as financial information and earnings guidance, if any, provided to analysts and rating agencies. The Committee need not discuss each earnings release or earnings guidance in advance.
7. Prepare an annual report to be included in the proxy statement, as required by the SEC.
8. Review with the outside auditor and the General Auditor their annual audit plans to determine the combined audit coverage for the Company, and approve such plans.
9. Discuss policies with respect to financial risk assessment and risk management.
10. Review and discuss with the outside auditor and the General Auditor: (a) major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles, and major issues as to the adequacy of the Company's internal controls and any special audit steps adopted in light of material control deficiencies, if any; (b) analyses prepared by management, the internal audit department, or the outside auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative generally accepted accounting principles on the financial statements; and (c) the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, if any, on the financial statements of the Company.
11. Obtain periodic updates from management regarding compliance matters.
13. Review with the outside auditor and the General Auditor any difficulties encountered in the course of the audit work and management's response, including any restrictions on the scope of the outside auditor's activities or access to requested information, and any significant disagreements with management. Inquire about: any accounting adjustments noted or proposed by the outside auditor but passed (as immaterial or otherwise); any communication

between the audit team and the outside auditor's national office respecting auditing or accounting issues presented by the engagement; and any management or internal control letter issued by the outside auditor. The review must also include discussion of the responsibilities, budget and staffing of the Company's internal audit function.

14. Directly appoint, retain, compensate (including approval of the terms of engagement) and terminate the Company's outside auditor, which will report directly to the Committee. Exercise oversight of the outside auditor, including resolution of disagreements between management and the outside auditor.
15. At least annually, obtain and review a report by the outside auditor describing: (a) the outside auditor's internal quality control procedures; (b) any material issues raised by the outside auditor's most recent internal quality control review, or peer review, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and (c) all relationships between the outside auditor and the Company. Evaluate the outside auditor's qualifications, performance and independence. This evaluation must include review and evaluation of the lead partner, including regular rotation of the lead audit partner as required by the SEC.
16. Preapprove audit and nonaudit services to be provided by the outside auditor. The Committee may delegate authority for this assessment to one or more members of the Committee. Require the outside auditor to annually summarize audit and nonaudit service fees.
17. Set clear hiring policies for employees or former employees of the outside auditor.
18. Establish procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters, as well as for confidential, anonymous submissions by Company employees of concerns regarding questionable accounting or auditing matters.
19. Review the performance of the Internal Audit function.
20. Apprise the Board regularly regarding significant developments relating to the performance of its duties.
21. At least annually, evaluate the Committee's performance.
22. Perform such other duties and responsibilities as may be assigned to the Committee by law, the Company's by-laws or the Board.