



THE SAFEGWAY COMPANIES

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ENVIRONMENTAL STATUS REPORT 2005

SUMMARY

April 28, 2006

Safeway Inc.
Risk Management Department
Pleasanton, CA

INTRODUCTION:

This is a brief summary of environmental issues that Safeway actively manages. Although it addresses major areas and provides some highlights, it is not intended to be comprehensive.

PLEASE NOTE: The information presented in this report was received from a variety of sources. It has not been audited, and has not been verified in all cases. It is used for illustrative purposes only, and not for financial, planning, or regulatory reporting purposes.

ENVIRONMENTAL AFFAIRS **O**RGANIZATION:

Safeway's corporate Environmental Affairs Department reports to the Vice President – Risk Management. The department identifies environmental issues and exposures, develops programs and action plans to comply with environmental laws and regulations, recommends environmental best practices for operating our facilities, manages and reviews environmental assessments done for property transfers.

Each retail division has a Food Safety and Environmental Affairs Manager and staff who receives assistance and direction from the corporate Environmental Affairs Department for environmental issues. In addition, the Supply Division (responsible for our manufacturing operations) has a Health, Safety, & Environment Manager. Canada Safeway maintains its own Environmental Affairs Department and coordinates policies and procedures with the corporate department.

Safeway participated in a number of programs and alliances in 2005 to promote environmental goals. These include the Food Marketing Institute, and environmental programs of various local

groups and agencies. Safeway provides responses annually to investor advisory services regarding environmental performance.

ENVIRONMENTAL POLICY:

Safeway maintains the following corporate Environmental Policy:

Safeway recognizes that the air, water, soil, and vegetation in our communities are vital resources and must be kept as free as possible from negative impacts. To assure that we do our part to protect against harmful environmental impacts, it is Safeway policy:

- 1) to conduct its business and operate its facilities in an environmentally responsible manner;*
- 2) to comply with all applicable environmental laws and regulations;*
- 3) to minimize waste and reduce pollution sources in our stores and manufacturing and distribution facilities where feasible;*
- 4) to minimize its environmental liabilities in the acquisition and disposition of properties; and*
- 5) to assist our customers, when possible, in utilizing sound environmental practices.*

Safeway believes every employee has a responsibility to minimize the environmental impact of his or her job whenever possible. This includes following all laws, regulations, rules, and standards and making appropriate reports to management and regulatory agencies. Safeway also encourages employees to

develop ways to improve environmental performance. The Environmental Affairs Department keeps the Company informed about environmental laws, regulations, standards, risks, and controls by issuing written guidance and presenting conferences and seminars on current issues to key personnel. The Company holds managers, supervisors, and employees accountable for compliance with Safeway's environmental policy. Violations of this policy can result in disciplinary action ranging from counseling to termination, depending on the severity and frequency of the violations.

EMPLOYEE EDUCATION AND TRAINING:

Safeway provides a number of training programs for employees in the environmental area. These include environmental modules in New Employee Orientation, Retail Leadership Development, and Safety Champions programs. There are also specific programs for Clean Water Compliance and informal facility-specific training on source reduction, recycling, and environmental compliance. Environmental Affairs maintains a website on Safeway's intranet that includes numerous resource materials.

ENVIRONMENTAL ASSESSMENTS:

Environmental assessments are performed as part of due diligence for every real estate transaction (purchase, sale, or lease) where Safeway may increase its potential liability. The initial environmental assessment is also known as a Phase I assessment, and may be followed up by a Phase II assessment, in which subsurface sampling is done, and by Phase III work in which remediation is done. Every

Safeway gas station site has a Phase II assessment conducted for baseline purposes.

RECYCLING:

Safeway facilities participate in a number of recycling programs. These include recycling of: old corrugated cardboard (OCC), plastics (plastic bags dropped off by customers, plastic film, miscellaneous plastic), compostable material, paper (including customer re-use of bags), and miscellaneous materials. These programs are carried out at stores and distribution centers. Each of these programs diverts solid waste away from landfills and into material re-use. This reduces the cost of waste hauling and disposal. It also helps municipalities reach mandated reductions in solid waste disposal to landfills. Safeway waste diversion programs have had significant effects in helping many California communities achieve their state-mandated goal of 50% reduction in solid waste disposal. Each of Safeway's stores in California diverts well over 50% of its total solid waste from landfill disposal.



In recognition of our recycling and source reduction efforts at our stores and distribution centers in California, Safeway once again received WRAP (Waste Reduction Award Program) Awards in 2005 from the California Integrated Waste Management Board (CIWMB). In addition, Safeway was one of only five awardees of the CIWMB's **WRAP of the Year (WOTY)** for 2005. This was given for outstanding achievement in on-site recycling, materials reuse and diversion, and waste prevention

The programs described below diverted a total of about **464,200 tons** (nearly 1 billion pounds) of recyclable materials in 2005. The totals for each programs are as follows:

OLD CORRUGATED CARDBOARD (OCC) RECYCLING: 313,809 tons

Nearly all cardboard is collected and baled for sale to cardboard brokers for recycling into other fiber products.

PLASTICS RECYCLING (Customer plastic bags, stretch wrap, shrink wrap, pallet wrap, miscellaneous plastic materials): **8,438 tons**

Plastics are collected and baled for sale to brokers for recycling into mixed plastic products such as parking lot bumpers and plastic lumber products. (Note that the plastics total does not include beverage bottles returned for deposit under state recycling programs.)

COMPOSTING: 96,541 tons

Participating stores collect compostable materials (e.g. produce trimmings, unsalable produce, unsalable bakery items, waxed boxes, etc.). They are back-hauled to the distribution center where they are consolidated, and then the compost contractor hauls them to the composting site where they are composted into soil amendment products.

FOOD WASTES: 31,523 tons

This includes food production wastes at our Supply plants, such as milk and bread products, and fat & bone from our store meat departments. These materials are recycled into animal feed, supplements, and other products.

MISCELLANEOUS RECYCLED MATERIALS: 13,785 tons

Miscellaneous materials included aluminum, other metals, paper, wood, batteries, oil, and refrigerant. This also includes paper bag re-use by customers.

TOTAL RECYCLED: 464,200 Tons

This represents over 350,000 cubic yards, if the density is assumed to be the same as soil (i.e. 1.3 tons per cubic yard). To visualize this, it would represent a pile the area of six football fields piled 35 feet high.

OZONE-DEPLETING REFRIGERANTS:

Safeway has replaced most of the Class I refrigerants (the most ozone-depleting) in its stores over the last decade. Non-ozone depleting refrigerants are used in all new stores. Approximately 3 percent (by volume) of all refrigerants used in stores are Class I; 43 percent are Class II; and 54 percent are non-ozone depleting.

Ammonia, which does not contribute to ozone depletion or global warming, is used at our distribution centers and many of our manufacturing plants for large scale refrigeration systems.

ENERGY USE:

Energy-saving innovations are that being incorporated into stores include:

- Many new Safeway stores designed starting in 2006 will utilize new refrigeration system technology that will reduce electricity use for refrigeration by about 18%.
- Energy Management Systems, which are computerized sensor/control systems that optimize energy use depending on actual store conditions are being incorporated into new stores.
- No-Heat freezer case doors. These utilize glass coatings to prevent fogging, rather than electrical heating.
- LED lighting used in exterior signage, rather than neon. Electricity use is reduced by about 82%. This is an annual savings of about 4600 kilowatt-hours per store.
- Extensive use of fluorescent and compact fluorescent lamps, and other high-efficiency bulbs, even in decorative lighting used in Lifestyle stores. This reduces electricity use compared to incandescent bulbs.
- “Power To Save”, a monthly education program on saving energy, provided to store employees by Safeway’s Corporate Maintenance Department.



In 2005, Safeway purchased **78 million kilowatt-hours** of electricity exclusively generated by renewable energy sources, in this case, windpower, under the EPA’s Green Power Partnership. This amount of energy was equivalent to that powering Safeway’s 15 San Francisco stores, all of

Safeway’s Fuel Stations, and the Corporate Office campuses in Pleasanton and Walnut Creek, CA. This made Safeway one of the largest purchasers of “green power”. Using EPA estimates, this reduced greenhouse gas emissions by over 42,500 tons of carbon dioxide equivalents. Safeway was given EPA’s **2005 Green Power Leadership Award for Green Power Purchasing**. See EPA’s website for further information: <http://www.epa.gov/greenpower/partners/partners/safewayinc.htm>

UNDERGROUND STORAGE TANKS:

Under federal EPA regulations, all underground storage tanks (USTs) that store petroleum were required to meet new standards for corrosion protection, overfill prevention, and overspill prevention by December 21, 1998. These were in addition to existing requirements for tank and piping leak detection capabilities. In addition, new underground tank systems in California have come under several phases of stricter regulations for containment and monitoring.

All Safeway tanks that are subject to the federal upgrade standards have been approved by the appropriate authorities to receive fuel deliveries. In addition, new tank systems exceed most state and federal standards, meeting many of the California requirements even for locations outside of California.

In 2005, 38 USTs were added as new Safeway retail fuel centers were built and put into service. Each UST system meets standard Safeway specifications for design, installation, and monitoring. The tank and piping systems are all double-walled

and equipped with leak detectors and sensors. The leak detection systems are continuously monitored by a third party contractor. 38 USTs were de-activated due to replacement of distribution facilities and closures of 16 stores with fuel stations in Texas.

PROCESS SAFETY
MANAGEMENT and RISK
MANAGEMENT PLANS:

Facilities with systems containing ammonia in amounts greater than 10,000 pounds are subject to the federal OSHA Process Safety Management (PSM) rule and EPA's Risk Management Plan (RMP) rule. As of the end of 2005, sixteen Safeway facilities in the United States are subject to PSM and RMP (plus two facilities subject to a California version of the regulations). These include distribution centers and supply plants where ammonia is used as a refrigerant.

PSM/RMP plans have been completed for all regulated facilities. A program to audit and update the PSM/RMP programs was begun in 1999 and was on-going in 2005. As part of this program, PSM/RMP programs were updated and/or re-written as necessary.

Seven facilities in Canada are subject to the Environmental Emergency ("E2") regulations. These facilities are registered with Environment Canada and have developed emergency response plans as required.

OTHER ENVIRONMENTAL
ISSUES:

Efforts continue to determine methods of reducing water usage and wastewater discharges from our supply plants. Several projects have been implemented or are in progress to reduce water use, reduce chemical use, and recycle waste

streams. Unsalable food products are typically recycled from our production plants to animal feed producers or similar uses.

FOR FURTHER
INFORMATION:

Contact Safeway Corporate Public Affairs:
(925) 467-2066.