

**CHARTER OF THE  
EXECUTIVE COMPENSATION COMMITTEE  
OF SAFEWAY INC.**

**Adopted February 26, 2004, as Amended**

This Charter of the Executive Compensation Committee was adopted by the Board of Directors (the "Board") of Safeway Inc. (the "Company") on February 26, 2004 and amended on August 16, 2005, October 26, 2006, October 23, 2007 and October 21, 2008.

**I. Purpose**

The purpose of the Executive Compensation Committee (the "Committee") of the Board of the Company is (1) to discharge the Board's responsibilities relating to compensation of the Company's executives, including by designing (in consultation with management and the Board), recommending to the Board for approval and evaluating the executive officer compensation plans, policies and programs of the Company, (2) to participate in the preparation of the Compensation Discussion and Analysis (the "CD&A") section to be included in the Company's annual report on Form 10-K and proxy statement and (3) to produce a compensation committee report stating whether the Committee has reviewed and discussed the CD&A with the Company's management and whether it recommends that the CD&A be included in the Company's annual report and proxy statement. The Committee shall ensure that compensation programs are designed to encourage overall financial, strategic and operational Company performance, improvement in market value of the Company's stock and each individual executive's performance.

In addition to the powers and responsibilities expressly delegated to the Committee in this Charter, the Committee may exercise any other powers and carry out any other responsibilities delegated to it by the Board from time to time consistent with the Company's bylaws. The powers and responsibilities delegated by the Board to the Committee in this Charter or otherwise shall be exercised and carried out by the Committee as it deems appropriate without requirement of Board approval, and any decision made by the Committee (including any decision to exercise or refrain from exercising any of the powers delegated to the Committee hereunder) shall be at the Committee's sole discretion. While acting within the scope of the powers and responsibilities delegated to it, the Committee shall have and may exercise all the powers and authority of the Board. To the fullest extent permitted by law, the Committee shall have the power to determine which matters are within the scope of the powers and responsibilities delegated to it.

**II. Delegation of Duties**

In fulfilling its responsibilities, the Committee shall be entitled to delegate any or all of its responsibilities to a subcommittee of the Committee, or, in the case of the granting of stock options or stock rights, to one or more executive officers of the Company; provided, however, that the Committee shall not delegate its responsibilities for

any matters that involve executive compensation or any matters where it has determined such compensation is intended to comply with Section 162(m) of the Internal Revenue Code of 1986, as amended (the “Code”) or is intended to be exempt from Section 16(b) under the Securities Exchange Act of 1934 (the “1934 Act”) pursuant to Rule 16b-3, unless the members of such subcommittee qualify as “outside directors” under Section 162(m) and “non-employee directors” under Rule 16b-3. While acting within the scope of the powers and responsibilities delegated to it, any subcommittee of the Committee shall have and may exercise all the powers and authority of the Committee and the Board. An officer or officers shall have the power to act within the scope of the powers and responsibilities delegated to such officer or officers.

### **III. Membership**

The Committee shall be composed of at least two directors as determined by the Board, none of whom shall be an employee of the Company and each of whom shall satisfy the independence requirements of the New York Stock Exchange and the Company’s Director Independence Standards. In addition, the Committee members shall qualify as (1) “non-employee directors” within the meaning of Rule 16b-3 of the 1934 Act and (2) “outside directors” under the regulations promulgated under Section 162(m) of the Code.

The members of the Committee, including the Chair of the Committee, shall be appointed by the Board on the recommendation of the Nominating and Corporate Governance Committee. Committee members may be removed from the Committee, with or without cause, by the Board.

### **IV. Meetings and Procedures**

The Chair (or in his or her absence, a member designated by the Chair) shall preside at each meeting of the Committee and, with input from the Lead Independent Director, set the agendas for Committee meetings. The Committee shall have the authority to establish its own rules and procedures for notice and conduct of its meetings so long as they are not inconsistent with any provisions of the Company’s bylaws or Corporate Governance Guidelines that are applicable to the Committee.

The Committee shall meet on a regularly scheduled basis at least two times per year and more frequently as the Committee deems necessary or desirable.

All non-management directors that are not members of the Committee may attend and observe meetings of the Committee, but shall not participate in any discussion or deliberation unless invited to do so by the Committee, and in any event shall not be entitled to vote. Except as provided below, the Committee may, at its discretion, include in its meetings members of the Company’s management, representatives of the independent auditor, the internal auditor, any other financial personnel employed or retained by the Company or any other persons whose presence the Committee believes to be necessary or appropriate. Notwithstanding the foregoing, the Committee may also exclude from its meetings any persons it deems appropriate, including but not limited to,

any non-management director that is not a member of the Committee. At least one time per year the Committee shall meet and exclude from its meeting all members of the Company's management.

The Committee shall have the sole authority, as it deems appropriate, to retain and/or replace, as needed, any independent counsel, compensation and benefits consultants and other outside experts or advisors that the Committee believes to be necessary or appropriate. The Committee may also utilize the services of the Company's regular legal counsel or other advisors to the Company. The Company shall provide for appropriate funding, as determined by the Committee, for payment of compensation to any such persons retained by the Committee.

The Chair shall report to the Board following meetings of the Committee and as otherwise requested by the Chairman of the Board.

## **V. Duties and Responsibilities**

1. The Committee shall, at least annually, review the compensation philosophy of the Company.
2. The Committee shall, at least annually, review and approve the base salaries of the executive officers of the Company and review and recommend to the Board the base salary of the chief executive officer of the Company. At the request of the Committee, the chief executive officer and the executive officers of the Company will be excluded from meetings (or portions of meetings) at which such officers' compensation is determined, recommended or approved.
3. The Committee shall, at least annually, review and approve corporate goals and objectives relating to the incentive-based compensation of the executive officers of the Company (including the chief executive officer), evaluate the performance of the executive officers of the Company (including the chief executive officer) in light of these goals and objectives and determine and approve the incentive-based compensation of the executive officers of the Company (including the chief executive officer), based on such evaluation. In determining the long-term incentive component of the compensation of the executive officers of the Company (including the chief executive officer), the Committee shall consider the Company's performance and relative stockholder return, the value of similar incentive awards to executive officers at comparable companies and the awards given to the Company's executive officers in past years. At the request of the Committee, the chief executive officer and the executive officers of the Company will be excluded from meetings (or portions of meetings) at which such officers' compensation is determined or approved.
4. The Committee shall periodically review "tally sheets" for the executive officers who are "named executive officers" in the Company's proxy statement.
5. The Committee shall review and approve all executive officers' employment agreements and severance arrangements.

6. The Committee shall annually review all incentive-compensation plans and equity-based plans. The Committee shall make recommendations as appropriate to the Board with respect to any incentive-compensation plans and equity-based plans that are subject to Board approval. The Committee shall review on a periodic basis current dilution and overhang levels in regard to current and future equity awards, guidelines of major stockholders and stockholder advisory services and the need for more shares. With respect to each plan, the Committee shall have responsibility for:

(i) setting performance targets under all annual bonus and long-term incentive compensation plans as appropriate and committing to writing any and all performance targets for all executive officers who may be “covered employees” under Section 162(m) of the Code within the first 90 days of the performance period to which such target relates or, if shorter, within the period provided by Section 162(m) of the Code in order for such target to be “pre-established” within the meaning of Section 162(m);

(ii) certifying that any and all performance targets used for any performance-based equity compensation plans have been met before payment of any executive bonus or compensation or exercise of any executive award granted under any such plan(s);

(iii) approving, or recommending for Board approval, all amendments to, and terminations of, all incentive-compensation and equity-based plans;

(iv) approving forms of award agreements under such plans;

(v) granting any awards under any performance-based annual bonus, long-term incentive compensation and equity compensation plans to executive officers, including stock options and other equity rights (e.g., restricted stock, stock purchase rights);

(vi) approving which executive officers are entitled to awards under the Company’s stock option plan(s); and

(vii) overseeing the administration of the Company’s policies with regard to the timing of stock option grants.

7. The Committee shall establish, if necessary, policies concerning perquisite benefits. The Committee shall annually review the benefits and perquisites provided to senior executives, including the financial impact of such programs.

8. The Committee shall periodically review the need for a Company policy or policies addressing the impact of the accounting or tax treatment of particular forms of compensation, including the need for a policy regarding compensation paid to the Company’s executive officers in excess of limits deductible under Section 162(m) of the Code.

9. The Committee shall review and determine, when necessary, any change of control or “parachute” payment arrangements.

10. The Committee shall periodically review executive officer and director indemnification and insurance matters.

11. The Committee shall review, in accordance with the provisions of the Sarbanes-Oxley Act of 2002, any employee loans in an amount equal to or greater than \$300,000.

12. The Committee shall participate in the preparation of the CD&A to be included as part of the Company's annual report on Form 10-K and annual Proxy Statement.

13. The Committee shall prepare the Report of the Executive Compensation Committee to be furnished in the Company's annual report on Form 10-K and annual Proxy Statement.

14. The Committee shall evaluate and recommend to the Board the compensation of the directors of the Company.

15. The Committee shall review and reconfirm on a periodic basis the Company's peer group and criteria for benchmarking positions.

16. The Committee shall annually monitor activity by officers and directors with respect to the Company's stock ownership guidelines.

17. The Committee shall evaluate its own performance on an annual basis, including its compliance with this Charter, and provide any written material with respect to such evaluation to the Board, including any recommendations for changes in procedures or policies governing the Committee. The Committee shall conduct such evaluation and review in such manner as it deems appropriate.

18. The Committee shall review and reassess this Charter at least annually and submit any recommended changes to the Board for its consideration.

## **VI. Disclosure of Charter**

This Charter will be made available on the Company's Web site and to any stockholder who otherwise requests a copy. The Company's Annual Report on Form 10-K shall state the foregoing.