

DIRECTOR INDEPENDENCE STANDARDS

Two-Thirds Majority of Independent Directors

It is the policy of the Board of Directors of Safeway Inc. that at least two-thirds of the members of the Board be independent of the Company's management. For a director to be considered "independent," the Board must affirmatively determine that the director does not have any direct or indirect material relationship with the Company or its affiliates¹ or any member of the senior management of the Company or his or her affiliates. The identity of the independent directors and the basis for the Board's determination that a relationship is not material will be disclosed in the proxy statement for each annual meeting of the Company's stockholders.

Independence Guidelines

The Board has established the following guidelines to assist it in determining director independence:

- (a) A director will not be deemed independent if he or she has any of the following relationships:
 - (i) the director is, or has been within the preceding eight years, employed by Safeway;
 - (ii) the director has received, during the current calendar year or any of the three immediately preceding calendar years, remuneration of more than \$100,000 in any such calendar year for service by the director as an advisor, consultant, or legal counsel to Safeway or to an executive officer of Safeway;
 - (iii) the director holds more than 5% of the equity of an entity that has received, during the current calendar year or any of the three immediately preceding calendar years, remuneration of more than \$100,000 in any such calendar year for service as an advisor, consultant, or legal counsel to Safeway or to an executive officer of Safeway;
 - (iv) the director is employed or self-employed (other than as a director) by an entity that has received, during the current calendar year or any of the three immediately preceding calendar years, remuneration of more than \$100,000 in any such calendar year for service as an advisor, consultant, or legal counsel to Safeway or to an executive officer of Safeway;

¹ "Affiliate" means any corporation or other entity that controls, is controlled by or is under common control with the Company, as evidenced by the power to elect a majority of the board of directors or comparable governing body of such entity.

(v) the director has a personal services contract(s) with Safeway, which results in payments of more than \$100,000 during the current or preceding calendar year;

(vi) the director has received, during any twelve-month period within the last three years, more than \$100,000 in direct compensation from Safeway, other than for former service as an interim Chairman or CEO or other executive officer;

(vii) an immediate family member² of the director has received, during any twelve-month period within the last three years, more than \$100,000 in direct compensation from Safeway for serving as an executive officer of Safeway;

(viii) an immediate family member of the director was employed by Safeway as an executive officer within the preceding eight years;

(ix) (A) the director or an immediate family member is a current partner of a firm that is Safeway's internal or external auditor; (B) the director is a current employee of such a firm; (C) the director has an immediate family member who is a current employee of such a firm and who participates in the firm's audit, assurance or tax compliance (but not tax planning) practice; or (D) the director or an immediate family member was within the last three years (but is no longer) a partner or employee of such a firm and personally worked on Safeway's audit within that time;

(x) a present Safeway executive officer is or was within the past three years on the board of directors of a company which employed the Safeway director or an immediate family member of the director as an executive officer at the same time;

(xi) a Safeway director is a current employee, director, partner and/or holder of a greater than 5% equity interest, or an immediate family member is an executive officer, of another company which, during any of the last three fiscal years, received payments from Safeway, or made payments to Safeway, or was indebted to Safeway, or to which Safeway was indebted, and such payments were more than the greater of \$1,000,000 or one percent (1%) of the other entity's consolidated annual gross revenues, or the total amount of either company's indebtedness to the other is greater than \$1,000,000 or one percent (1%) of the total consolidated assets of such company; or

(xii) a Safeway director serves as an officer, director or trustee of a charitable organization, and Safeway's discretionary charitable contributions to the organization, in any of the three preceding fiscal

² "Immediate family member" means spouse, parents, children, siblings, mothers- and fathers-in-law, sons- and daughters-in-law, brother- and sisters- in law and anyone (other than employees) sharing a person's home.

years, were greater than the lesser of \$500,000 or one percent (1%) of that organization's total annual charitable receipts.

- (b) For relationships covered by the guidelines in subsection (a) above, compensation received by a director as a director of Safeway (including director and committee fees) and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service) shall not be considered in determining independence. Further, the fact that a director of Safeway also serves as a director of one or more of Safeway's subsidiaries shall not be considered in determining independence, provided that such director is otherwise independent with regard to such subsidiary or subsidiaries in accordance with these Guidelines and other applicable rules and regulations.
- (c) For relationships not covered by the guidelines in subsection (a) above, the determination of whether the relationship is material or not, and therefore whether the director would be independent or not, shall be made by the directors who satisfy the independence guidelines set forth in subsection (a) above. The Company would specifically explain in its annual proxy statement the basis for any board determination that a relationship was immaterial despite the fact that it did not meet the categorical standards of materiality set forth in subsection (a) above.
- (d) References to Safeway in these Standards include any parent or subsidiary in a consolidated group with Safeway.
- (e) References to the director in subsections (ii), (iii), (iv), (v) and (xii) of subsection (a) include immediate family members of the director.