



June 26, 2014

Dear Safeway Companies' Supplier:

Safeway is firmly committed to helping protect the environment and to complying with environmental regulations. The environmental regulations governing the handling and disposal of unsaleable chemical-containing items are numerous. They sometimes require handling such items as hazardous waste.

Managing items as hazardous waste imposes significant burdens and costs on Safeway, its retail stores, and its store-support centers, including labor and product-disposition costs. Classification of items, including damaged items, as hazardous waste is based upon the chemical makeup of the item, which is solely within the control of the supplier. We believe, therefore, that suppliers should bear some responsibility for such costs and we find it necessary to assess a handling fee to recover a portion of these costs.

We are required to manage Hazardous Waste through our Product Returns Program. Effective July 1, 2014, Safeway will charge suppliers a Hazardous Waste Management fee of \$0.84 per retail unit on all items that become unsaleable (e.g., damaged, out of code, etc.).

This charge is also set forth in our unsaleable supplier policy, updated January 1, 2013. The pertinent information is set forth below:

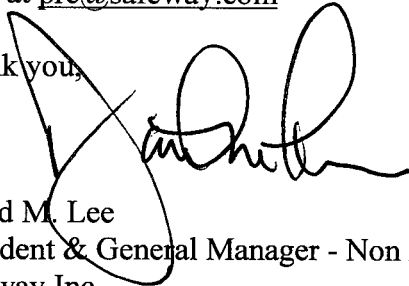
“Safeway will have no responsibility for transporting or reclamation of any product that, to Safeway’s knowledge, (i) is considered a hazardous material or hazardous waste under EPA or state regulations, (ii) is considered as Hazardous by DOT (other than ORM-D Consumer Commodity or Limited Quantity) (collectively, “Hazardous Materials”), (iii) is a chemical-containing product, or (iv) within the state of California, is a medication. For purposes hereof, a “chemical containing product” shall include any product not intended for human consumption that contains or consists of a powder, gel, paste or liquid, and includes aerosols, pesticides, batteries, fluorescent light bulbs, products used for lawn and garden, health and beauty, or household cleaning. Safeway will, in most instances, manage products that are categorized as hazardous at store level using a third party licensed in proper handling and disposing of these products. The vendor of record will be charged a flat \$0.84 per retail unit. Suppliers will not be entitled to reclaim this product.”

For additional information on Hazardous Regulations you should review all applicable laws, rules, and regulations, including but without limitation, the Federal hazardous waste law, the Resource Conservation and Recovery Act (RCRA). The laws in RCRA are

implemented by EPA regulations found in 40 CFR 260 – 282. Hazardous Waste regulations in California are covered under Title 22 Code of California Regulations Division 4.5. In addition, Medical Waste is covered under California Health and Safety Code Sections 117600 – 118360.

Safeway looks forward to continuing to work with you to maintain the highest standards of food safety, product quality, and environmental compliance. If you have any questions regarding the Hazardous Waste Management Costs, please contact our Corporate PRC team at prc@safeway.com

Thank you,


David M. Lee
President & General Manager - Non Perishables
Safeway Inc