



Corporate Reclamation Procedure

Safeway's Corporate Reclamation procedure, as described herein, is based on the 1990 GMA/FMI "Joint Industry Report on Product Reclamation Centers." We endorse the voluntary guidelines contained in the report and have adopted, for the purpose of our day-to-day operations, the damage-responsibility presumptions enunciated in the Report.

In addition, we engage in substantial efforts to reduce retailer-responsible damage.

We follow the Joint Industry Report's approach of identifying the three main cost components for which a distributor of goods is entitled to fair reimbursement, over and above product cost (list price). Thus, suppliers of returned products will, in addition to the list price of returned product, be responsible for pre-damage direct costs, post-damage handling costs, and reclamation center costs.

Pre-damage costs are those costs we incur from the point Safeway receives the product to the time it reaches the store. Such costs include warehouse handling and storage, transportation to the store and shelf stocking. We will consider manufacturer supplied values, when reasonably derived. Otherwise, we incorporate a figure for each item based upon a DPP or ABC model which is currently 6% of cost.

Post-damage handling costs are those expenses to remove the unsalable goods from the shelf and transport them to the reclamation facility. The average value derived by the Joint Industry Report, 11.1 cents, is utilized.

Reclamation Center Costs (RCC) are those actual expenses we incur to operate an unusables receiving/sorting/disposition facility, or to have one operated for us. We use our actual per item expense paid to the reclamation center operator during each accounting period to derive this figure. For our centers in the U.S., the average value is 12.25 cents per item.

Product Recalls and Withdrawals will be charged a flat \$0.84 per unit due to additional labor and paperwork involved.

In addition to this base reclamation center cost per item are disposition fees as follows:

| | |
|--------------------------------------|--------|
| Retailer Option | \$0.01 |
| Donate | \$0.02 |
| Dispose | \$0.33 |
| Sort / Hold (Subject to 30day limit) | \$0.10 |

Safeway strongly encourages suppliers to be directly involved with examining product returned to the centers. We find that suppliers reap the greatest rewards when they inspect product first hand.

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, products used for lawn and garden, health and beauty, or household cleaning. Safeway will manage products that are categorized as such at store level using a third party licensed in proper handling and disposing of these products. Hazardous Materials handling will be charged a flat \$0.84 per unit. Suppliers will not have the option to reclaim this product.

Our stores, manufacturing facilities, distribution centers and offices participate in a number of waste reduction programs that benefit local communities and the environment. In order to encourage resource conservation and waste reclamation, we have recently adjusted our fee for destruction of goods to more appropriately reflect actual

costs, and have, through efficiencies, been able to lower our fee for donation of damaged goods. We encourage all suppliers to pursue similar efforts.

Payments due to Safeway under this policy are collected, where possible, via deduction from invoices. We offer payment via draft as an option for discontinued suppliers.

While it is not practical for us to identify product for special handling, each division schedules its regular damaged product pick-ups. Safeway reserves the right, in its sole discretion, to dispose of product that is not picked-up in a timely manner.

If you have further questions, please contact prc@safeway.com

Please complete the attached Reclamation Disposition Agreement.



RECLAMATION DISPOSITION AGREEMENT

Please indicate the desired method of disposition for your product. Please note that this disposition and the associated cost are in addition to our current Joint Industry Report handling fees. These options are not available for Hazardous Materials.

Suppliers or their representatives may remove product from the Reclamation Center only after cost or greater has been paid.

SWELL ALLOWANCE

Suppliers that provide a swell allowance in lieu of participating in the reclamation program please provide a copy of your companies swell policy and complete only the Swell Allowance section below.

Please note that all swell allowance or similar programs must be reviewed and approved by the Corporate Supply Chain Finance team.

Swell allowance rate _____% (Note: If swell allowance applies only to a specific item or type, please attach details by item UPC and return to the address listed below)

| OPTION | COST: |
|---|---------------------|
| A. _____ Disposition left up to customer | <u>.01 per Unit</u> |
| B. _____ Product donated to charity | <u>.02 per Unit</u> |
| C. _____ Product to be destroyed | <u>.33 per Unit</u> |
| D. _____ Product held and reviewed by supplier only | <u>.10 per Unit</u> |
| (Please fill out following page when selecting this disposition) | |

Please indicate your choice, complete your company information, sign and return to:

*Safeway Inc.
Attn: Michelle Tomy Corporate Manager PRC
5918 Stoneridge Mall Rd
Pleasanton, CA.94588*

SUPPLIERS NOT RESPONDING WITHIN 30 DAYS WILL AUTOMATICALLY HAVE OPTION "A" SELECTED FOR THEM.

Name and Title of Representative (Please Print)

Signature of Representative

Company

Telephone #

Date

Vendor #

**Hold for Review Information
Return to Vendor Information
Must be Completed and Sent with Disposition Form
Before Hold Will Begin
Please Fax Along with Disposition Agreement**

Company Name

**On Site Inspection
Information (Please print)**

**Return to Supplier
Information (Please print)**

Party Conducting On Site Inspection

Party Product to Be Returned To

Contact Name

Shipping Address Street

Contact Phone Number

Shipping Address City, State, Zip

Shipping Contact Name

Shipping Contact Phone Number

Special Instructions

Special Instructions

***Note: Safeway DOES NOT return any reclamation product to supplier or third party freight pre-paid. Return freight charges are the supplier's responsibility.**

