



OFFICE OF  
STATE TREASURER  
DENISE L. NAPPIER

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# NEWS

**FOR IMMEDIATE RELEASE**

Thursday, February 12, 2004

**INSTITUTIONAL INVESTORS, FINANCIAL LEADERS FROM 9 STATES REQUEST  
MEETING WITH SAFEWAY TO DISCUSS CONCERNS ABOUT BOARD  
INDEPENDENCE, UPCOMING NOMINATIONS**

Saying that the independence of one of Safeway's board members has been compromised and urging that he be replaced, institutional investors and financial leaders from nine states, representing more than half a trillion dollars in retirement savings including more than \$127 million invested in Safeway, are seeking a meeting with the Chair of Safeway's Nominating and Corporate Governance Committee.

The financial leaders represent a growing number of officials seeking Tauscher's ouster, and the request for a formal meeting with Board member Rebecca Stirn to discuss the issue comes six weeks after some of the leaders initially wrote to Stirn expressing their concern.

Connecticut Treasurer Denise L. Nappier requested the meeting, along with State Treasurers from Massachusetts, Oregon, Iowa, Washington and Maine, New York's State Comptroller, and finance and pension officials from California and Illinois. They said the decision came after no response was received to a December 18, 2003 letter to Stirn expressing serious reservations about the independence of the Safeway board and their representation of shareholders. Between the December 18 and February 11 letters, the number of signatories has grown, demonstrating the expanding concern by investors regarding the actions of the Safeway board.

The leaders said "such a meeting would be in the best interest of Safeway shareholders" and that it was "essential" that the issues be discussed directly with Stirn, as soon as possible. They said the agenda for the meeting would include a "review the independence of Safeway's outside directors and discuss the process for nominating alternative candidates for the 2004 annual shareholder meeting."

In the December 18, 2003 letter, the institutional investors and financial leaders urged Safeway's Nominating and Corporate Governance Committee to select an alternative director nominee to replace William Tauscher. At the time, they said that Tauscher's "track record of engaging in business deals with Safeway has fatally compromised his objectivity as an independent director."

In the letter sent to Stirn this week, the officials also called for a review of the Nominating and Corporate Governance Committee's assessment of the role played on Safeway's Board by individuals affiliated with Kohlberg Kravis Roberts (KKR).

"Despite the fact that KKR sold its remaining Safeway shares in 2000, KKR-affiliated directors continue to hold four out of nine Board seats at Safeway," the letter stated. The officials also noted that since the December 18 letter, "Safeway announced that all directors will stand for election annually starting in 2005. This action alone, however, does not address our concerns regarding the independence of Safeway's Board."

**Letter attached**

**CONTACTS: CONNECTICUT TREASURY 860 702 3277 NEW YORK COMPTROLLER 212 681 4825**

# State of Connecticut



Hartford

DENISE L. NAPPIER  
TREASURER

February 11, 2004

Ms. Rebecca A. Stirn  
Chair, Nominating and Corporate Governance Committee  
Board of Directors  
Safeway Inc.  
5918 Stoneridge Mall Road  
Pleasanton, CA 94588-3229

Dear Ms. Stirn:

Having yet to receive a reply to correspondence dated December 18, 2003 directed to you by institutional investors, including many of the undersigned -- representing more than \$492 billion in retirement savings, including in excess of \$127 million invested in Safeway -- we urgently request a meeting with you in your capacity as Chair of Safeway's Nominating and Corporate Governance Committee.

Such a meeting would be in the best interest of Safeway shareholders, and would review the independence of Safeway's outside directors and discuss the process for nominating alternative candidates for the 2004 annual shareholder meeting. While we have seen various press accounts of the Board's anticipated position on these matters, we believe it is essential that we discuss these issues with you directly. Thus, we request a meeting as soon as possible, prior to the selection of director candidates.

In the aforementioned December 18, 2003 letter, institutional investors urged Safeway's Nominating and Corporate Governance Committee to select an alternative director nominee to replace William Tauscher. We believe Mr. Tauscher's track record of engaging in business deals with Safeway has fatally compromised his objectivity as an independent director. Mr. Tauscher's term as a Safeway director expires this year and, therefore, we believe he should be replaced.

We also want to review the Nominating and Corporate Governance Committee's assessment of the role played on Safeway's Board by individuals affiliated with Kohlberg Kravis Roberts ("KKR"). Despite the fact that KKR sold its remaining Safeway shares in 2000, KKR-affiliated directors continue to hold four out of nine Board seats at Safeway. You will have the opportunity to nominate a replacement for one of these KKR-affiliated directors, Robert MacDonnell, at this year's shareholder meeting.

Since the December 18 letter to you, Safeway announced that all directors will stand for election annually starting in 2005. This action alone, however, does not address our concerns regarding the independence of Safeway's Board.

We look forward to discussing these concerns with you as part of the Nominating and Corporate Governance Committee's nominating process. Connecticut Assistant State Treasurer Meredith Miller will contact you in the coming weeks to arrange a meeting.

We look forward to meeting with you soon in person.

Sincerely,



Denise L. Nappier  
Treasurer  
State of Connecticut



Timothy P. Cahill  
Treasurer & Receiver General  
State of Massachusetts



Randall Edwards  
Treasurer  
State of Oregon



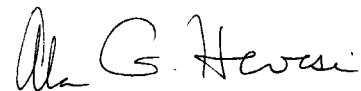
Jack Ehnes  
Chief Executive Officer  
California State Teachers'  
Retirement System



Rob Feckner  
Chair, Investment Committee  
California Public Employees'  
Retirement System



Michael L. Fitzgerald  
Treasurer  
State of Iowa



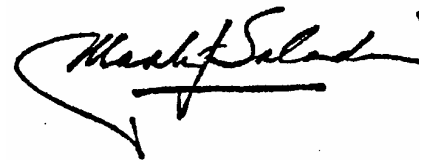
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Comptroller  
State of New York



Dale McCormick  
Treasurer  
State of Maine



Michael J. Murphy  
Treasurer  
State of Washington



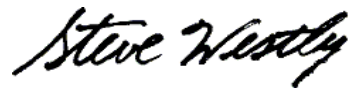
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Comptroller  
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