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## Doing Our Part





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# A Letter From Our Chairman And Chief Executive Officer



April 2007

As one of the largest retailers in the country, Kroger is committed to being a responsible steward of the environment. Kroger is dedicated to minimizing our impact on the Earth and offering alternatives to our customers who hope to do the same. Identifying opportunities to do more in this important area has long been a focus for Kroger.

We are **Doing Our Part** to protect our valuable resources in all areas of our operation by actively engaging our associates in our efforts. This report outlines our Company's ongoing conservation, recycling and waste reduction initiatives.

We also recognize that many of our customers have an increasing desire to **Do My Part** —meaning they want to make a difference with the choices they make. This is why we are focused on helping our customers by offering environmentally-friendly products they can purchase and by participating in programs that promote green efforts in their communities. We believe it is our role to act as a facilitator for our customers in their efforts to do their part when it comes to our environment.

We have made good progress in our environmental efforts in recent years and we continue to look for ways to do more. We welcome your comments, questions and suggestions. You may contact us by calling 1-800-KROGERS or via the *Contact Us* link on our website at [www.thekrogerco.com](http://www.thekrogerco.com).

Thank you,

David B. Dillon

Chairman of the Board and  
Chief Executive Officer



# Doing Our Part: The Kroger Co.



## Energy Conservation

Kroger has undertaken several projects in our stores aimed at meeting our commitment to reducing energy consumption. Steps taken in our stores include:



- Replacing lighting in nearly all of our 2,500-plus retail grocery stores with the most energy-efficient lights possible.
- Installing motion sensors that turn lights off when no one is around, and overhead lights that turn themselves back at night.
- Our exit signs use LED lights, which use less energy and last longer.
- Up to 6 percent of the overall sales space in our new stores is lit by skylight. Light sensors signal the automated building controller to turn off overhead lighting when the skylights bring in enough illumination.
- Keeping doors closed to all coolers and freezers as much as possible and keeping strip curtains in place.
- Avoiding overstocking cases or blocking the air curtains.

We also have upgraded hundreds of thousands of refrigerated cases by replacing older, metal fans with lighter plastic *smart motors* that can

be programmed to adjust airflow automatically and operate more efficiently.

We are installing variable-speed drives in air-handling fans and evaporative condenser fans that use a fraction of the energy of older equipment. We are also using thermal imaging cameras to evaluate the efficiency of our cooler cases.

*Our research shows that \$1 spent on preventive maintenance can save up to \$9 in energy consumption down the road.*

Our research shows that \$1 spent on preventive maintenance can save up to \$9 in energy consumption down the road. We will continue to search for opportunities to reduce our energy consumption through the adoption of best practices and investments in new technology.





# Doing Our Part: The Kroger Co.



## Engaging Associates

We have learned that one of the most effective ways to reduce energy consumption is by establishing best practices, which we do with the help of every associate in every store. Our local energy teams create and implement store-specific energy reduction plans. We also have programs in place to train and educate all of our Associates about good energy habits.

Through Kroger's S.A.V.E. 5 program, we train and educate our associates about good energy habits. Each store has an *Energy Champion* to lead education efforts and look for ways to cut use.

These efforts are paying off. Since 2000, Kroger has reduced its electricity

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*Since 2000, Kroger has reduced its electricity consumption by over 20%, or more than 1.3 billion kilowatt-hours, across all of our square footage. That's enough energy to light, heat and cool every house in Nashville, Tennessee for one year.*

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consumption by over 20%, or more than 1.3 billion kilowatt-hours, across all of our square footage. That's enough energy to light, heat and cool every house in Nashville, Tennessee for one year.

Associates who work in other areas of our company are encouraged to adopt best practices as well. From basics such as turning off lights when they leave a room to recycling office paper, our associates are increasingly aware that even small acts can make a considerable difference in our environmental efforts.



# Doing Our Part: The Kroger Co.



## Recycling Initiatives

Our stores, manufacturing facilities, distribution centers and offices participate in a number of recycling programs that divert materials away from landfills and promote better environmental stewardship. Among the items being recycled are old corrugated cardboard, plastic bags and shrink wrap, scrap metal, glass, office paper, aluminum, newspaper and other materials.

Some examples of our recycling initiatives include:

- In California, our Ralphs and Food 4 Less stores compost their produce trim and culls along with out-of-date bread and deli items. This program diverts tons of trash from state landfills. In 2006, Ralphs and Food 4 Less composted nearly 59,000 tons.
- At our Great Lakes division in Columbus, Ohio, old pallets are recycled for mulch, animal bedding, fuel and other uses.
- King Soopers' main office in Denver recycles approximately 2,500 pounds of office paper each month.
- Kroger's Mid-South division, based in Louisville, Kentucky, recycled more than 30,200 tons of cardboard in 2006.



# Doing Our Part: The Kroger Co.



## Waste Reduction

**K**roger's stores, manufacturing facilities, distribution centers and offices participate in a number of waste reduction programs that benefit local communities.

The most significant contribution we make in this area is our leadership in helping to end hunger in America. In the past five years, the Company has donated more than 135 million pounds of food and groceries, valued at more than \$200 million, to more than 85 local food banks serving communities where the Company's customers and associates

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live and work. We work closely with America's Second Harvest, the largest charitable domestic hunger-relief organization in the country.

In addition to food, Kroger's contributions to local food banks include other products such as toiletries and cleaning supplies – items families and individuals relying on food banks request most often after food.

We also participate in a fresh food rescue programs where we donate safe but unsalable food to hunger relief agencies who have the capacity and training to handle food safely once it leaves our stores.





# Doing Our Part: The Kroger Co.



## Fuel Conservation

**A**t Kroger, we are focused on managing our own large vehicle fleet more efficiently. Our 1,350 trucks and 7,100 trailers travel a total of 190 million miles per year, delivering goods from manufacturing facilities and distribution centers to our stores.



### Initiatives we have taken to conserve fuel include:

- Improving miles per gallon by adjusting engine idling times and gear speed settings and setting recommended top speeds of 62 miles per hour or the state limit if lower.
- We've reduced the weight of tractors and trailers by cutting the weight of new tractors by approximately 900 pounds.
- This 5% reduction in tractor weight translates to increased payload capability.
- We have reduced the number of miles our fleet travels by using special vehicles such as multi-temperature refrigerated trucks, super trucks and backhauls that enable us to combine loads and shorten trips.





# Doing My Part: What Our Customers Can Do



## Corporate Brands

We recognize that our customers are increasingly interested in making a difference when it comes to their individual efforts and choices. Our efforts in helping them extend to the products customers find on our store shelves. We recently teamed with one of our suppliers, Tetra Pak, to use its Tetra Recart recyclable paper cartons for our Kroger brand tomato sauce and other tomato products instead of cans.



While no package is fully sustainable, Tetra Recart is the most sustainable recyclable packaging available on

the market today. Two-thirds of Tetra Recart packages are made from paper, a renewable source.

In another example of our efforts, Kroger recently removed plastic lids from yogurt cups we manufacture and sell in all of our supermarkets. Yogurt cups we produce are now sealed with foil covers. We estimate this change will save approximately one million pounds of extra plastic from entering the ecosystem each year.





# Doing My Part: What Our Customers Can Do



## Fair Trade Products

Fair Trade is an approach to sustainable development that can help family farmers in developing nations gain better access to international markets.

Proponents of Fair Trade believe that farmers who learn how to market their own harvests are in a better position to build their own businesses and earn a *fair* price for their products. This, in turn, may lead to higher family living standards, stronger communities and more sustainable farming practices in developing countries.

A Fair Trade Certified label on a product serves as a guarantee that the item has been grown and produced by farmers and workers who received what is considered by the certifying organization to be a *fair* price for that product.

Most coffee, tea and chocolate in the U.S. that is Fair Trade Certified also is certified to be organic and shade-grown.

This means that the products are grown under conditions designed to support biodiversity, provide shelter for migratory birds and help reduce global warming.

Kroger offers more than two dozen Fair Trade Certified products, including different varieties of coffee, tea and chocolate. These products are usually found in our natural food departments and nutrition centers, depending on the store.

Kroger first brought Fair Trade products to its stores in 2000, and we continue to search for certified products that are of interest to our customers. Though there are limited suppliers of these products, our buyers work with both large and small companies to ensure the best selection possible.





# Doing My Part: What Our Customers Can Do



## Alternative Fuel

**K**roger is at the forefront in the U.S. in making ethanol fuel, or E85, available to customers. More than 35 Kroger fuel stations in Kentucky, Ohio and Texas offer E85 fuel, which is a blend of 15 percent gasoline and 85 percent ethanol, a renewable, domestic fuel. Using this type of fuel may reduce greenhouse gases and the nation's dependence on petroleum.

We are committed to making this renewable, domestic fuel available for customers who choose to use it. E85 flexible fuel vehicles can use both

traditional gasoline and E85 fuel, which is a blend of 15% gasoline and 85% ethanol.

Kroger is exploring additional opportunities to offer customers E85 fuel throughout the U.S. as consumer demand grows. We believe that demand will grow as alternative fuel becomes more conveniently available.





# Doing My Part: What Our Customers Can Do



## Reusable Bags

We appreciate our customers' interest in our environmental efforts, particularly their interest in helping us reduce the amount of plastic and paper bags used to carry groceries. We encourage our customers to use reusable bags for their regular shopping trips because with every use, the amount of plastic and paper bags used is reduced.



Our stores offer reusable bags for sale and many divisions have incentive programs in place for our customers who choose to use them.





# Doing My Part: What Our Customers Can Do



## Recycling Options

We appreciate and respect that our customers increasingly recognize Kroger as a leader in helping them to do their part regarding environmental stewardship. In facilitating our customers efforts, many of our divisions participate in recycling efforts in local communities where we operate. Plastic bags, for example, that are returned to our stores are recycled into a variety of items, including plastic bags, landscape bricks and plastic lumber.



### Other examples include:

- In Oregon, our Fred Meyer stores help our customers recycle their bottles and cans by providing and staffing the machines that residents use to return their bottles and cans to receive refunds. In 2006, nearly 207 million cans and bottles were recycled at Fred Meyer's 50 stores in Oregon.
- Customers in our Mid-South division, based in Louisville, Kentucky, helped the division recycle 632,000 pounds of plastic bags in 2006.

