



2016 Sustainability Report

Improving Today to Protect Tomorrow





\$109.4

BILLION IN TOTAL SALES

2,778

GROCERY STORES
IN 35 STATES

134

YEARS
IN BUSINESS

276

MILLION MEALS
DONATED
TO FOOD BANKS

37

PLANTS PRODUCING
CORPORATE BRAND
PRODUCT

431,000

ASSOCIATES WHO MAKE A DIFFERENCE

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Headquartered in Cincinnati, Ohio, Kroger® (NYSE: KR) is the 3rd largest retailer in the world, spanning 35 states with store formats that include grocery and multi-department stores, convenience stores and jewelry stores. We operate under nearly two dozen banners, all of which share the same belief in building strong local ties and loyalty with our customers.

This report reflects on progress for Kroger's 2015 fiscal year (Feb. 1, 2015–Jan. 30, 2016). Roundy's Programs & Data were not included in this year's report. This report was prepared using the Global Reporting Initiatives (GRI) G3 guidelines, the world's most widely used sustainability reporting framework. This report is self-declared Level C.

LETTER FROM THE CHAIRMAN AND CEO



Rodney McMullen

Chairman and
CEO



MAKING A DIFFERENCE FOR ASSOCIATES, COMMUNITIES AND THE PLANET

Our growing family of associates do their best to serve our customers and communities every day. Whether it's recommending a product, helping a customer take groceries to their car, rescuing food to help local food banks, recycling or volunteering, these everyday actions add up to make a big difference—the **Kroger difference**.

We are proud to bring you the 10th edition of the Kroger sustainability report. We have come a long way these past 10 years and, as we continue to grow, we are challenging ourselves to do better for our customers, our associates and the planet.

Our goal is to be a positive force for change in our communities and to conscientiously drive sustainability and innovation into the supply chain. To do this, we engage with our customers, associates, suppliers, NGO's, investors, and other stakeholders to gain diverse perspectives around multiple issues; we conduct consumer research and risk analysis so that we focus on what's most important to our customers and our business.

What follows are key examples of the work our more than 431,000 associates accomplished in 2015.

SOCIAL IMPACT

In our communities, hunger remains our greatest priority. We are deeply committed to fighting chronic hunger. In

2015, Kroger donated food and funds equivalent to 276 million meals. Our commitment to helping our neighbors is a point of pride for our associates and our company.

Kroger also supports causes that are close to our customers' hearts. Kroger annually donates \$3 million for breast cancer research. Thousands of associates volunteer and support races throughout their local communities.

Kroger partners with the USO, America's leading organization to help our military and their families. We have donated nearly \$15 million since 2009 and are the largest cumulative donor to the USO in the organization's history.

As our business expands, we are creating new jobs and new opportunities for current associates. We added 9,000 jobs in 2015 and have created more than 74,000 jobs over the past eight years—including 35,000 jobs for veterans.

SUPPLY CHAIN IMPACT

As one of the world's largest food retailers, we have opportunities to positively influence the food system from the farm to the table. We are increasingly focused on creating and maintaining a sustainable supply chain for many commodities and products. We are pleased to announce progress on multiple initiatives:

We have achieved our goal to source 100% certified sustainable palm oil for our corporate brand products by the end of 2015.



LETTER FROM THE CHAIRMAN AND CEO

We reached 86% of our wild-caught sustainable seafood goal last year and continue to make progress toward our goal of 100%.

We are driving accountability throughout the supply chain through collaborations with World Wildlife Fund for wild-caught seafood, the Rainforest Alliance for corporate brand roses, paper products, coffee, and many others. By developing and supporting transparent supply chain practices, we will positively impact communities far beyond the walls of our stores.

ENVIRONMENTAL IMPACT

Every day our stores, distribution centers, manufacturing facilities and offices strive to reduce our impact on the environment. We are improving our environment in countless ways, big and small.

One of our top priorities is our move to "zero waste." Whether by keeping waste out of landfills, reducing packaging, recycling plastic bags, donating safe, perishable foods to food banks, or creating renewable energy from food waste, we are improving recycling rates and finding cost-effective and responsible alternatives for our waste.

In 2015, 1,190 stores participated in food waste recycling initiatives including animal feed programs and composting. 31 of our 37 manufacturing plants are designated "zero waste" facilities, keeping more than 98% of waste generated out of landfills.

Customers and associates together recycled more than 38 million pounds of plastic (bags & shrink wrap) in stores.

We continue to be vigilant in maintaining and improving upon the more than 35% energy consumption reduction

we have achieved since 2000. That's like taking 336,791 cars off the road for one year.

LOOKING FORWARD

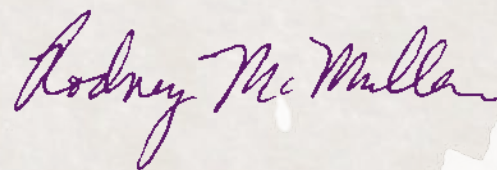
In 2015, these efforts have earned us the ENERGY STAR Partner of the Year award, three EPA Food Waste Recovery awards for Leadership, Innovation, and Education and Outreach. Kroger has been listed on the North American Dow Jones Sustainability Index for the third year in row.

Most recently, we were honored by the Rainforest Alliance as *Supply Chain Partner of the Year* for our HomeSense line of paper products. This ensures that the paper pulp comes from forests that are sustainably managed.

We've done a lot but we're constantly striving to do more and do better. To learn more about what we're committing to next, you can view our sustainability goals for 2020 at <http://sustainability.kroger.com>.

Kroger has an unwavering commitment to moving ourselves and our industry forward in the area of sustainability. Every day our 431,000 associates work together to serve the more than 8.5 million customers that enter our stores. We strive to make their lives easier, healthier, brighter and a little bit lighter. And continue to make a *difference*.

Thank you,

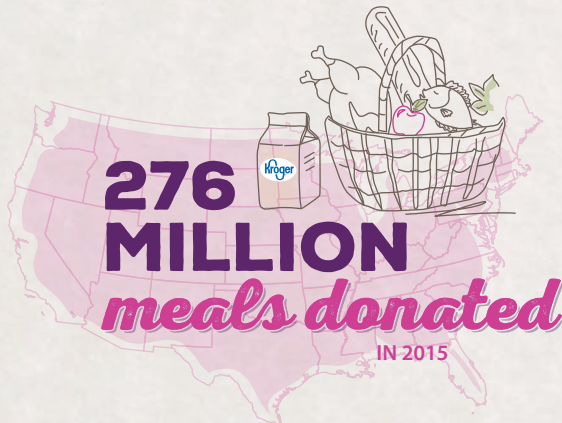
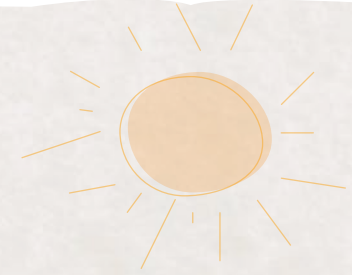


Rodney McMullen
Chairman and CEO





2015 HIGHLIGHTS



NORMALIZED
Carbon Reduction

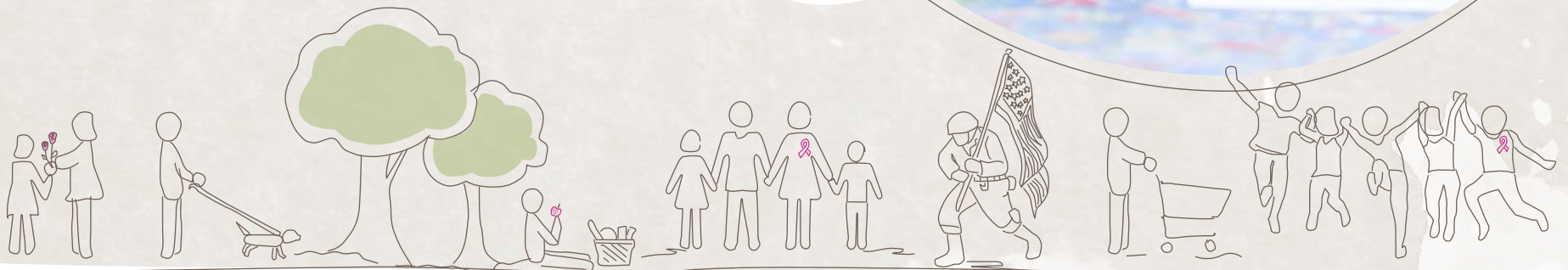


ENERGY STAR
Partner of the Year



Our Social Responsibility

Social





\$290
MILLION DONATED

Being a trusted partner in the hundreds of communities across the country where our associates and customers live and work is a key priority for Kroger.

COMMUNITY ENGAGEMENT: FIGHTING HUNGER

Being a trusted partner in the hundreds of communities across the country where our associates and customers live and work is a key priority for Kroger.

Our family of companies makes significant investments in hunger relief, women's health initiatives, supporting our military and their families, local organizations and schools, and disaster relief efforts.

Nearly **\$290 million** was contributed in Kroger's name in 2015. The generosity and involvement of our associates demonstrates that Kroger's commitment goes far beyond the funds we contribute or help to raise. We tutor, serve meals, walk to raise money for local programs, pack care packages for our soldiers, join in parades to celebrate diversity and bring our time, talent and caring to many causes and programs.

We are dedicated to making a difference when and where we can—**the Kroger difference.**

Every day, our customers turn to the Kroger family of stores for help in putting fresh, wholesome food on their family tables. We know that meals matter. Kroger's commitment to feeding people extends beyond what we offer in our stores. Last year, we donated the equivalent of **276 million meals** to local food banks and agencies, bringing help and hope to our hungry neighbors.

Fighting hunger has always been—and remains—our **#1 community priority**. A founding partner of Feeding America®, the nation's largest domestic hunger agency, we work with more than 100 local food banks, and have for more than 30 years. Kroger is among the top tier of donors to Feeding America.



COMMUNITY ENGAGEMENT: FIGHTING HUNGER

Last year, our family of stores contributed **83 million pounds** of food and other products to our local food banks.

These critical product donations are supplemented by financial support from a variety of programs throughout the year. Kroger contributes **\$3 million** to assist Feeding America and its local member food banks during *Bringing Hope to the Table*, the company's annual hunger awareness campaign, which runs during the holiday season.

Last year, the Kroger Co. Foundation and the company's retail divisions provided an additional **\$2 million** in grants to assist local hunger agencies. And our stores offer easy ways for customers and associates to help their neighbors in need. Tens of thousands of small donations added up to more than **\$15 million** to local hunger relief programs, during the holidays and at other key times of the year.



Kroger®



**\$1.5
BILLION**



**TOWARD LOCAL
COMMUNITY IMPACT
SINCE 2010**





COMMUNITY ENGAGEMENT: FIGHTING HUNGER

Bringing
HOPE
to the Table



276 MILLION
meals donated

IN 2015



...THAT'S MORE THAN
5 MILLION MEALS
TO LOCAL FOOD BANKS
EACH WEEK!



COMMUNITY ENGAGEMENT: FIGHTING HUNGER

PERISHABLE DONATIONS PARTNERSHIP

When it comes to nutritional content, all food is not created equal. Through Kroger's industry-leading Perishable Donations Partnership (PDP), safe, wholesome meat, produce, eggs and dairy products are donated to local food banks that have the capacity to safely handle and distribute fresh food. As a result of Kroger's work and our partnership with Feeding America, many other national and regional retailers now also donate perishable products to local food banks.

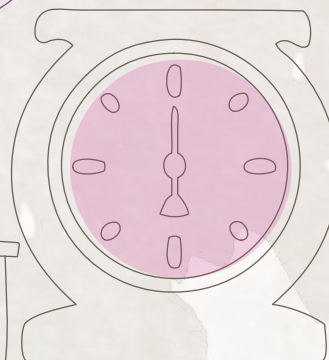
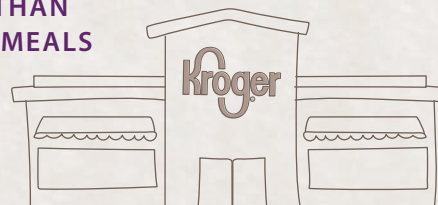
In 2015, **56 million pounds** of fresh food—the equivalent of more than 46 million meals—was donated by our stores to local food banks. It takes the dedication and consistent execution of thousands of our associates to make this happen. Working in tandem with our internal food safety experts, we continuously look for opportunities to add new categories of fresh product that can be donated safely through the program.



56 MILLION
Pounds of food donated
IN 2015



THAT'S THE EQUIVALENT
OF MORE THAN
46 MILLION MEALS





COMMUNITY ENGAGEMENT: FIGHTING HUNGER

Hunger Relief in the Kroger Family of Stores

Fry's Food Stores' unwavering commitment to fighting hunger in Arizona continued in 2015. Last year, Fry's provided nearly **6 million meals** to help feed the hungry statewide through programs like our food rescue program and fundraising campaigns. They also hold an annual holiday food drive, that last year raised more than \$150,000 to help in Arizona. In addition, Fry's leaders are very involved by serving on boards for several of the Feeding America food banks in Arizona. Associates also volunteer on a regular basis, packing food boxes and serving the hungry.

Kroger's Atlanta Division is committed to bringing as much food as possible to struggling families through our Perishable Donation Partnership (PDP). Through the associate-led PDP program, Kroger's Atlanta Division stores donated more than 2.5 million pounds of safe and nutritious food—the equivalent of 2.1 million meals of perishable foods to food banks in the region in 2015. This represented an improvement of 24% compared to 2014. This is entirely due to the commitment of our Atlanta store associates who are making a difference.

Smith's Mobile Pantry

The Utah Food Bank works with many local schools making monthly deliveries of produce, canned items and household necessities for after-school mobile food pantry drops. Individuals, many of whom are children, look forward to this extra help to stretch their family food needs.

In 2015, Smith's sponsored two schools, providing funds to help cover mobile food pantry operational costs. Smith's associates showed up at the schools to distribute the food. Smith's has committed to sponsoring four schools in the 2016–17 school year.





COMMUNITY ENGAGEMENT: FIGHTING HUNGER

RECLAMATION DONATIONS

Kroger's "donate all" model extends to a leading reclamation process as well. Our store associates, retail operations leaders and 14 food bank partners all work together to increase the amount of food and health and beauty products distributed to families in need. Once sell-through options have been exhausted, unsalable but safe food is sent to processing centers operated by food banks. Using software and training provided by Kroger, these processing centers discard the trash, obtain the data needed to process vendor payments or credits due to the company, and then distribute the edible and safe food to food pantries that serve hungry people. Previously, this process was performed by a third party and it was expensive, cumbersome, and food banks received no benefit.

Kroger continues to add partners and product to this unique model. Additions in 2015 include the Second Harvest Food Bank of Middle Tennessee (serving 60 metro Nashville stores) and Dare to Care in Louisville, Kentucky. An apparel donation initiative was launched in the fall of 2015. Through collaboration with the apparel team, a strategy was identified to sell through all seasonal apparel and send residual merchandise to the food bank reclamation centers during the Christmas holiday season.

Dare to Care Reclamation Program

Dare to Care in Louisville, KY, receives, stores, and processes nearly 8,000 lbs. of unsalable Kroger product per week. Volunteers scan the product to determine if it should be held for vendors or donated immediately. This collaborative effort has resulted in a 35% increase in product donations since November 2015.





\$6 MILLION
raised

For local breast cancer programs—helping fund free screenings, support groups, transportation to treatments, and wigs and other care items for those fighting cancer.

COMMUNITY ENGAGEMENT: SUPPORTING WOMEN'S HEALTH

Kroger is a long-time supporter of women's health initiatives, especially breast cancer research, education and services.

Sharing Courage, Kroger's annual company-wide campaign, anchors Kroger's support of this issue. Annually, Kroger provides \$3 million to local breast cancer initiatives as a result of the campaign. Customers and associates are able to add their support through fundraising opportunities in our family of stores. In 2015, those donations added up to an additional \$3 million for local breast cancer programs—helping fund free screenings, support groups, transportation to treatments, wigs, and other care items for those fighting cancer.

This commitment is personal for thousands of Kroger associates across the country, who support this cause every year as volunteers and participants at dozens of fundraising events in our local communities, including the Susan G. Komen Race For the Cure® series and the American Cancer Society's Making Strides Against Breast Cancer® program.

Since 2006, as part of *Sharing Courage*, **325 Kroger associates** who are breast cancer survivors have stepped forward as spokespeople for the issue, sharing their stories on campaign marketing materials in our stores and through an award-winning interactive website, www.sharingcourage.com.





OVER 7,500
veterans
were hired in 2015



COMMUNITY ENGAGEMENT: THE MILITARY AND THEIR FAMILIES

Supporting service members and their families remains a priority for our company. Kroger partners with the USO, who has been keeping the nation's service members connected to family, home and country for 75 years through a wide range of programs and services. *Honoring Our Heroes*, Kroger's annual summer campaign, provided **\$1 million** to the USO in 2015, and generated an additional **\$1.8 million** in contributions from customers and associates.

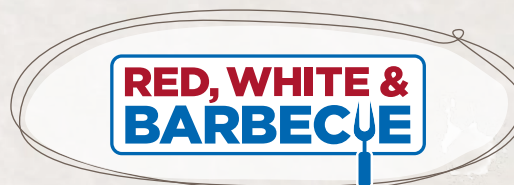
KROGER HEROES

TROY S. | U.S. MARINE VETERAN | KROGER, GROCERY MANAGER, BLANCHESTER, OH

I served from 1988 through 1992 in the U.S. Marine Corps. My job was in communications. I joined because I have a father and grandfather who were Marines and I wanted to serve like they did. I was deployed from Camp Pendleton to the Persian Gulf during the Desert Shield and Desert Storm campaigns. My family was always my main source of support, but my Marine unit was there for me, too. In the Marines, I learned that I had more discipline than I thought...and that I could cope well while still being away from home. But you do miss the ordinary, everyday stuff of civilian life. For example, I missed my family and my mom's cooking the most! Whenever I get the chance, I tell folks to write letters to soldiers or send them care packages.

Since 2010, Kroger's support of the USO has totaled nearly **\$15 million**.

Kroger's support for members of the military expands beyond fundraising. Kroger hired more than 7,500 veterans last year. Since 2009, more than **35,000 veterans** have been hired by our family of stores. Read more at HonoringOurHeroes.com.



To thank members of the military in 2015, Kroger hosted summer barbecues for thousands of troops and their families in 10 cities and towns across the United States, with three additional celebrations on U.S. military bases in Germany and Kuwait.





COMMUNITY ENGAGEMENT: SUPPORTING LOCAL GOOD WORKS

In every community we serve, many worthwhile organizations and school-based programs struggle to raise money for operations and supplies. Community Rewards is an easy way for customers to support the local causes and programs that matter most to them. Once an organization enrolls in the program, customers are able to “credit”

their purchases at a Kroger store to the charity of their choice. In 2015, the Kroger family of stores donated nearly **\$52 million** to local schools and organizations participating in Community Rewards, providing funding to nearly **145,000** local organizations.

\$52 MILLION
donated

TO LOCAL SCHOOLS
AND ORGANIZATIONS
PARTICIPATING IN
COMMUNITY REWARDS



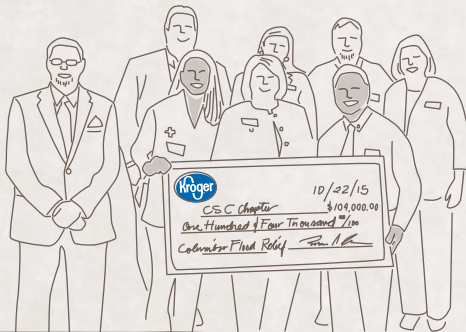
SALVATION ARMY RED KETTLE PROGRAM

Each year, The Salvation Army feeds, clothes, and cares for nearly **30 million Americans in 5,000 communities nationwide**. Customers and associates of the Kroger family of stores across the country open their hearts and wallets in December to support The Salvation Army's annual Red Kettle holiday campaign. Together, we contributed nearly **\$17 million** in 2015. All funds stay in the communities where they are collected. **Contributions made at Kroger family of stores represent more than 11% of the total amount raised by The Salvation Army in 2015.**





COMMUNITY ENGAGEMENT: HELPING COMMUNITIES IN NEED



Our steady presence in our local communities means we are able to marshal our resources when our neighbors are facing difficult times caused by natural disasters and other crises.

Kroger's network of stores, manufacturing facilities and distribution outlets are able to quickly respond when a community is in need. We work with local governments,

first responders, and even Homeland Security to help make sure that our communities can quickly recover. Several examples of our work in 2015 are featured below. In 2015, our efforts provided nearly \$500,000 to American Red Cross chapters across the country.

Flood Relief Efforts in South Carolina

In October 2015, Kroger's Atlanta Division assisted flood victims in Columbia, SC. Kroger's Atlanta Division donated \$104,000 to the Central South Carolina Chapter of the American Red Cross and 2 tractor-trailer loads of water was donated to the South Carolina Emergency Management System.

In partnership with the American Red Cross and WAGT-NBC, Kroger stores 675 (Aiken, SC) and 676 (Augusta, GA) served as collection sites to encourage customers and associates to donate bottled water. Fort Gordon troops were on hand to receive donations from customers and assist in loading the water donations on the truck.

Kroger Steps Up to Help Michigan Water Crisis

In January 2015, Flint, Michigan residents were notified that the city's water was unsafe. In response, the Michigan Division donated 20 truckloads of bottled water to area stores and lowered the price of a 24-pack of water to \$1.99, or a dollar off.

Calcium in milk has been shown to help block the absorption of lead into the human body. Our Michigan division donated 24,000 gallons of Kroger Pure Michigan milk. Through donations from the company and our customers, Kroger has donated more than \$75,000 to help Flint families during this crisis.

"Access to clean, healthy drinking water is a fundamental human right," says Michigan Division Customer Communications Manager Ken McClure. "It is our obligation to help."

Fred Meyer and QFC—Wildfires

The 2015 wildfire season was the worst in the state of Washington's history—more than one million acres burned over the summer. Fred Meyer provided more than \$30,000 through in-kind donations of water, food and cleaning supplies to support the firefighters, the American Red Cross and the communities affected. One of the worst fires was in Okanogan County, where the Wenatchee Fred Meyer store associates loaded up more than \$10,000 in merchandise, then followed the Fred Meyer truck to help unload it. Fred Meyer also provided assistance to fire crews and communities in Idaho, Oregon and Alaska during what was one of the worst fire seasons in the Pacific Northwest.


77.2%

 ACCIDENT RATE
REDUCTION

Kroger is in the food business and the people business. Our people are the heart.

ASSOCIATES: SAFETY

Kroger is in the food business *and* the people business. **Our people are the heart.** Kroger works hard to create a safe, healthy, inclusive culture where there are opportunities for careers and advancement.

We believe our industry-leading safety results make our stores, manufacturing plants and facilities among the safest places to work in America. Safety is a core value at Kroger. Keeping our 431,000 associates safe is an important part of our commitment to them.

Our ultimate safety goal is zero accidents.

In 1995, Kroger launched a safety initiative that has reduced our overall accident rate by 77.2%. We have made steady progress every year since 1995. However, in 2015 Kroger experienced an increase (+1.7%) in OSHA (Occupational Safety and Health Association) recordable injuries. This increase in injuries coincided with a continued influx of new associates 2015. Despite this increase in injuries, our retail and logistics OSHA Injury Rate decreased by 1.6% to 3.65 per 100 FTE.* This reduction

is attributed to our increased safety efforts with our new associates to return to our long-standing trend of continuous improvement.

In 2015, **1,457 retail locations (48%)** operated without an associate lost-time injury, and 676 retail locations (22%), two distribution centers, and two of our manufacturing plants, went the entire year without an OSHA recordable accident.

*The **OSHA injury** rate is a nationally accepted standard for measuring injuries for every 100 full time equivalent associates.



ASSOCIATES: SAFETY

Based on the most current Bureau of Labor Statistics (BLS) data available (2014), Kroger's 2015 Injury Rate (3.65) is 25.5% lower than the BLS industry benchmark of 4.9 Injuries/100 FTE, and has remained below this industry benchmark for the last 15 years.

KROGER'S STAR (STORES TARGETING ACCIDENT REDUCTION) PROGRAM

The STAR program engages every associate to work together to be safe on this job. Kroger measures safety with the same regularity as sales and profits. The rewards for such close attention to safety are healthier associates, a safer working and shopping environment, and less time lost from work due to accidents.





\$1.7

**BILLION ASSOCIATE
HEALTH CARE**

At Kroger, we're so much more than a grocery store. Kroger is committed to our associates' health and well-being.

ASSOCIATES: HEALTH, WELLNESS AND RETIREMENT BENEFITS

Kroger is committed to our associates' health and well-being. That is why we offer our associates competitive wages, high-quality health care benefits and retirement savings plans.

TOTAL REWARDS

Our company's total rewards package, which includes wages, perks, discounts, and health and wellness benefits, is among the best in the retail food industry. It is designed to attract and retain talented associates. Our health care plans include coverage for medical, prescription drugs, dental, vision, disability and life insurance. We also provide domestic partner benefits.

HEALTH BENEFITS

For Kroger associates eligible for benefits under the company-sponsored health care plans, we offer competitive medical coverage via Health Savings Accounts (HSAs) and Health Reimbursement Accounts (HRAs). We also offer a number of programs to help our associates better manage their health, such as:

- **Free health screenings.** In 2015, 68,623 associates and their spouses/domestic partners received free health screenings (84% of those eligible). The company paid

more than \$28.8 million in incentives to associates who met health screening targets.

- **Health coaching services.** Kroger also offers free health coaching services for conditions such as heart disease, diabetes, weight loss and tobacco use cessation. We conducted nearly 6,000 coaching sessions in 2015.
- **Wellness initiatives.** We offer fun ways for associates to be active and stay fit.

A majority of our hourly store associates are represented by labor unions. Kroger makes contributions to multiple Health & Welfare Trust Funds and Pension Trust Funds on behalf of eligible associates covered by collective bargaining agreements. All funding for these health and wellness trusts and pension funds is paid solely by the company.



ASSOCIATES: HEALTH, WELLNESS AND RETIREMENT BENEFITS



WELLNESS INITIATIVES

During the last several years, our associates' health has improved, demonstrated by lower cholesterol, blood pressure and blood glucose scores. Our workplace programs were recognized with a "Best Employers for Healthy Lifestyles" award from the National Business Group on Health, and by the American Heart Association.

In 2015, Kroger was named one of the top 100 Healthiest Workplaces in America by Healthiest Employer, LLC for our commitment to exceptional employee health and corporate wellness programming. The honor is awarded based on our health and wellness vision, culture/engagement, learning, expertise, metrics and technology.

Kroger provides many ways for all associates to improve their health. For the last four years, all divisions have participated in "I CAN DO THAT" wellness challenges. More than 59,000 associates from all of our divisions have participated in a walking or weight loss challenge. Since 2012, our associates have:

- Walked 13.9 billion steps
- Completed 19.4 million minutes of activity

More importantly, our associates generally pay less for their health care benefits than other individuals working in our industry. In 2015, the company spent more than \$1.7 billion to provide health care for our associates, their families and retirees.





ASSOCIATES: OPPORTUNITY CULTURE

We continue to do our part to create jobs in our communities and opportunities for growth for current associates. In 2015, we created 25,000 more jobs. More than 90 percent of these new jobs are in our supermarket divisions, ranging from full-time department heads and assistant store managers to part-time courtesy clerks and cashiers. Over the last eight years, Kroger has created more than

74,000 new jobs in our local communities. We are particularly proud that we hired more than **7,500 veterans in 2015** and more than **35,000 veterans** since 2009. In 2015, we held our first annual Veterans Hiring Event with more than 3,200 candidates interviewed in stores and more than 62% (nearly 2,000 candidates) were extended job offers to join the Kroger family.



MARK LUCIER

Position: Murray's Cheese Project Manager, Deli Merchandising

Join date: 2008

"I'm fortunate to have an amazing career doing what I love every day."

What he does: Follows his passion for artisanal and craft cheese by merchandising Murray's cheese. Known for partnering with the Adult Beverage experts to create unique customer experiences by pairing local brews with Murray's cheese.

Back story: Started as Kroger's first Murray's Cheesemaster. He became an American Cheese Society Certified Cheese Professional in 2013. For more store experience, he also completed the Leadership Essentials Program and served as an assistant store manager. He attended the Murray's cheese training program in New York City, earning his Murray's Red Jacket.



ALLISON KUHN

Position: Director, Corporate Dietitians, The Little Clinic

Join date: 2014

"I love hearing from our dietitians about how they have helped

patients and customers enjoy nutritious food that fits their lifestyle. Each story is unique, and each time we are able to meet a need or change how someone views nutrition and eating, it's a wonderful feeling!"

What she does: Leads a team of in-store dietitians who provide clinical nutrition services in The Little Clinic locations, as well as nutrition education throughout the store. Helps customers and associates choose healthy food options, that taste good too.

Back story: Joined Kroger as a corporate dietitian. She earned a bachelor's and master's degrees in nutrition and worked in education and research as well as clinical nutrition before joining Kroger. Passionate about food and cooking, she also has culinary training.


95%

 CORPORATE
EQUALITY INDEX

We want our associates to reflect the diversity of the communities where we live and work.

ASSOCIATES: ASSOCIATE DIVERSITY

Diversity is one of Kroger's core values. We want our associates to reflect the diversity of the communities where we live and work. Kroger is committed to fostering an environment of inclusion where diversity is appreciated as a competitive advantage.

Each of Kroger's retail divisions has developed diversity-related strategic partnerships with universities, educational institutions and community partners.

Kroger provides inclusion training to all management and many hourly associates, and numerous work locations (stores, plants, divisions) have a Culture Council. These councils, composed of a diverse group of associates, work on projects that reflect Kroger's core values of safety, integrity, respect, honesty, diversity and inclusion. They also provide leaders with feedback and facilitate communication with associates to champion company business priorities.

Kroger is equally committed to retaining talented associates and providing career development opportunities to help

motivated associates realize their advancement potential within the company. Career development plans for women and people of color are reviewed annually by our senior management team as part of the company's successor planning. Kroger requires managers and department heads to report quarterly on the recruitment and promotion of women and people of color. Today, 51% of all associates are female and 34% are people of color. 41% of exempt associates are female and 21% of exempt associates are people of color.



ASSOCIATES: ASSOCIATE DIVERSITY

ASSOCIATE RESOURCE GROUPS (ARGs)

Associate Resource Groups serve as our strategic partners by creating meaningful connections among our associates within the company. We have nine ARGs at our headquarters location in Cincinnati—African-American, Asian, Cancer Awareness, Alliance of Kroger (LGBT and Allies), Kepasa (Hispanics and Latinos), Parents, Veterans, Women's Edge and Young Professionals. ARG chapters

are growing in a number of divisions across the country, now up to 27 groups.

In 2015, Kroger received a score of **95 out of 100** on the Corporate Equality Index (CEI). The CEI is sponsored by the Human Rights Campaign and rates companies based on their employment policies related to gay, lesbian, bisexual and transgender associates.

ARGs Build Connections and Create Opportunity

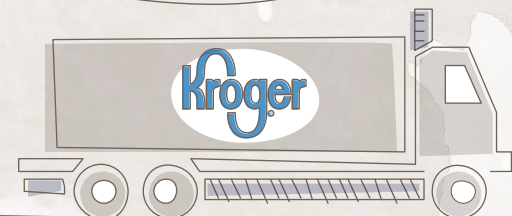
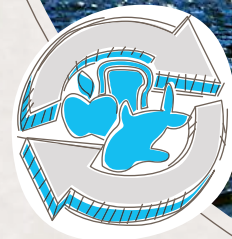
In 2015, Kroger announced to our associates that Kroger's company-sponsored health insurance plan now offers trans-gender benefits. For the last several years, the company's LGBT associate resource group, The Alliance of Kroger (AOK), worked collaboratively with executive leaders by educating them on the specific needs of our transgender associates and empowering them with a voice and venue to share their stories. Here are a few other ways our ARGs build connections and improve our business:

- *Mobile Pantry—The African-American ARG supported Second Harvest Food Bank's Mobile Pantry. Similar to a farmer's market, this mobile pantry allowed food to be distributed directly to those in need. This mobile pantry provided 1–2 weeks of groceries to approximately 175 families.*
- *The Parents ARG led the installation of health and wellness rooms, and produced a guide for new parents.*
- *The Cancer ARG worked with the Health and Wellness team to create a Cancer Resource guide.*



Our Food and Products

Supply Chain





OUR FOOD AND PRODUCTS



\$1.5
BILLION
SIMPLE TRUTH®
SALES

The importance of “supply chain” is rising among Kroger stakeholders—from customers and associates to investors and NGO’s. By “supply chain” we mean the entire food growing and distribution system from farm or ocean to our stores. Shoppers will always care about price, service, shopping experience, product selection and quality. More and more, people also care and want to know how Kroger positively influences the supply chain—from raw materials and ingredients, manufacturing inputs, labor practices and animal welfare. Kroger has programs in place to address many aspects of a complex and dynamic food system.

As one of the largest global food retailers, we have opportunities to positively influence the food system from the farm to the table.

Kroger is quickly becoming a top destination when customers are looking for **affordable, accessible organic and natural foods**. We offer thousands of natural, organic and eco-friendly product choices to meet our customers’ needs and preference for their families and homes.



OUR FOOD AND PRODUCTS

ORGANIC

Kroger is a leader in providing our customers fresh organic fruits, vegetables and salads. Our organics section has grown and expanded in response to our customers' interest in these products.

SIMPLE TRUTH ORGANIC™

Our natural and organics store brand, Simple Truth®, reached a milestone **\$1.5 billion** in annual sales in 2015—this was within three years of launching the brand exclusively in our stores. There are over 2,000 Simple Truth® or Simple Truth Organic™ items. Both product lines have clearly defined product standards in order to clearly communicate to shoppers.

These products are made using methods that the USDA includes in its definition of organic. What does it all mean? Please visit our Simple Truth website to learn more (www.simpletruth.com).

Kroger Manufacturing operates several certified organic processing facilities, including: Tamarack Farms Dairy in Newark, OH; Kenlake Foods in Murray, KY, which produces Kroger nuts and oatmeal; and Hutchinson Dairy in Hutchinson, KS, which produces ultra-pasteurized organic milk and soy milk.

There is growing interest from our customers about genetically modified organisms (GMOs). Customers seeking to avoid GMOs, can choose from hundreds of Kroger's organic offerings that are identified as non-GMO. The National Organic Program standards do not allow GMOs in the production of organic products.

Organic Produce Supplier

Domenico Farms, located in Platteville, Colorado, is a family owned and operated farming business that began in 1922 and has supplied Kroger for almost 50 years. In 1995, Domenico Farms became certified Organic. Each year, from May through December, they supply many fresh produce items including organic beets, summer squash, bell peppers, kale, chard, parsley, cilantro, green onions, beans, lettuce, cabbage, eggplant, onion, rutabaga, turnips, parsnips, winter squash and leeks.





OUR FOOD AND PRODUCTS

NATURAL FOODS

Kroger continues to be one of the largest natural food retailers in the U.S. by sales volume. Natural foods have seen double-digit growth for the past several years. Natural food products in Kroger are sold not only in the 1,300 Nature's Market departments, but increasingly are found integrated throughout the store. Kroger offers 20,000 natural products nationwide, with each store offering between 4,000–9,000 curated items. All of the products within this department must adhere to Kroger's strict natural food ingredient standards which mean they must refrain from using 101 ingredients our customers tells us are "undesirable." Natural foods continues to offer our customers products that are made with the ingredients they want while offering customers the option to buy from companies that engage in

business practices that are important to them. Third-party certifications such as Fair Trade, Rainforest Alliance and Forest Stewardship Council are just a few of the trusted third-party certifications that help our customers purchase products that align with their values.

SIMPLE TRUTH™ "FREE FROM 101+"

This phrase—Free From 101+—means that these products are free from 101+ artificial preservatives and ingredients that our customers have identified as being "undesirable." Click [here](#) to see the entire list.

FREE FROM
101+
artificial
preservatives
& ingredients.*



Bob's Red Mill

Bob's Red Mill was founded in 1978 by Bob and Charlee Moore with a mission to promote "whole grains for every meal of the day." Our line of over 400 wholesome products is made from grains, beans and seeds grown by farmers who, in many cases, have had relationships with our company for decades. Each Bob's Red Mill product is handled with care to ensure the highest quality. All of our products are kosher, many are USDA certified organic, and our extensive gluten-free line is produced in a dedicated facility.

Bob Moore is more than just a purveyor of top-quality foods; he is also a benevolent man who shares with his employees and the community. In 2010, on Bob's 81st birthday, he announced that he would be giving the company to the employees through an Employee Stock Ownership Plan (ESOP). As Bob puts it, "It was just the right thing to do. I have people that have worked with me for over 30 years, and each and every one of them deserves this."

Bob Moore and Bob's Red Mill are also committed to many philanthropic efforts, including major donations to university facilities such as the Moore Institute for Nutrition & Wellness at Oregon Health and Science University; the Moore Family Center for Whole Grain Foods, Nutrition and Preventive Health at Oregon State University; and a number of programs at the National College of Natural Medicine, including the Ending Childhood Obesity Project.

When you buy Bob's Red Mill products, you are not only investing in your own wellness—you're also supporting an employee-owned company that puts people before profits.



OUR FOOD AND PRODUCTS

LOCALLY GROWN

For many years, Kroger has worked with farmers and suppliers to bring locally produced goods to our grocery stores. Our customers value our “locally grown” and “locally produced” programs as these products are very fresh and help lessen the impact on our environment through reduced transportation and minimized handling.

We participate in many state programs that support local and regional farmers, including: *Kentucky Proud*, *Ohio Proud*, *Colorado Proud*, *Michigan Select*, *Buy Texas*, *Virginia's Finest*, and *Goodness Grows in North Carolina*.

Kroger's Louisville Division expanded their commitment to local in 2015. Kroger will sell 125 products from 34 Kentucky Proud producers in 88 stores throughout the division.

One of Kroger's most popular products is local too—our **18 dairies** throughout the U.S. process milk from local farmers and deliver it fresh to all of our retail stores. See more about milk and the dairy industry on page 38.

SIMPLE TRUTH NON-FOOD

Kroger's Simple Truth™ and Simple Truth Organic™ line of products continue to grow and expand into new categories each year. Most recently, Kroger launched a variety of Simple Truth™ non-food products in rolled tissue, laundry, cleaning and health and beauty care. These products do not contain parabens, sulfates, triclosan, phosphates and ammonia. Additionally, these products do not allow any animal testing on ingredients.

How Kroger Delivers on Fresh and Locally Grown

Ken Chrisco, a regional produce specialist, delivers local produce to our stores. Like other regional produce specialists, Ken is our eyes in the field for our procurement team, travelling to farms across the United States. His number one priority for produce is “fresh”—delivering product to our customers at its absolute peak. Everything he looks for must meet Kroger specifications, grown under the USDA Good Agricultural Practices and backed by the growers' food safety programs.

“Regional produce specialists help ensure that not only is the produce that our customers buy FRESH but that it is grown and sourced nearby,” said Chrisco.





OUR FOOD AND PRODUCTS



Recyclable & Renewable

The bottles for Simple Truth™ and Simple Truth Organic™ laundry detergent, all-purpose cleaner, glass cleaner and dish soap are made from 50 percent sugar cane. Sugar cane is a rapidly renewable resource and reduces the amount of petroleum-produced resin needed for these bottles. And just as important, the bottles are readily recyclable throughout the U.S. Our consumers can feel good about reducing their environmental footprint and recycling in their local community.



Gentle on the Planet

At Kroger, we continue to develop products that meet the needs of our customers. We recognize our customer's interest in purchasing sustainably sourced products and the use of recyclable packaging whenever possible.

As a result, Kroger's Simple Truth bath tissue and paper towels are Forest Stewardship Council (FSC) and Rainforest Alliance Certified. In addition, the tissue is made from 100 percent recycled paper with a minimum 60 percent post-consumer recycled content. The inner corrugate tube can be recycled in U.S. curbside recycling programs and the plastic overwrap can be brought back to our stores and recycled in our in-store plastic bag recycling program.

Kroger's Home Sense™ bath tissue, facial tissue and rolled paper towels are FSC and Rainforest Alliance Certified. These certifications ensure that the wood pulp used to make these rolled tissue products is sourced from well-managed forests that adhere to responsible forestry practices.

Our Simple Truth cleaning wipes are also FSC and Rainforest Alliance Certified.



OUR FOOD AND PRODUCTS



Endangered Species Chocolate

Indianapolis-based Endangered Species Chocolate is a mission-driven company that is passionate about chocolate and at-risk wildlife.

Endangered Species Chocolate commits to full traceability standards for its chocolate, ensuring that every bit of cocoa purchased comes from Fairtrade Certified farms. In fact, Endangered Species Chocolate is the 1st American-made chocolate to use fully traceable Fairtrade cocoa from West Africa, a region that grows 70% of the world's cocoa. Choosing Fairtrade supports fair prices and wages for farm workers, audits for child and forced labor, and sustainable farming practices. This translates into social, economic and environmental benefits for West Africa's farming communities and wildlife.

Endangered Species Chocolate combines its premium chocolate with a promise to help at-risk species rebound and thrive. The company's annual 10% GiveBack of net profits fuels the work of the world's leading conservationists and wildlife protection programs. With every Endangered Species Chocolate purchase, we're helping to protect the diversity of life on our planet and promote true global change.

FAIR TRADE CERTIFIED™

Fair Trade Certified™ is an approach to sustainable development that can help family farmers in developing nations gain better access to international markets. 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. The number of Fair Trade Certified™ products that we carry, including different varieties of coffee, tea and chocolate, increases every year. These products can be found in our natural foods department and nutrition centers, depending on the store. Simple Truth® continues to increase the availability of products. Kroger is proud of Simple Truth's Fair Trade Certified™ products that empower farmers, spark sustainable business and support thriving communities.

RAINFOREST ALLIANCE CERTIFIED™

The Rainforest Alliance is an international nonprofit organization that works around the world to conserve forests, natural resources and biodiversity while advancing sustainable livelihoods. By offering products that carry the Rainforest Alliance Certified seal, Kroger helps ensure a future where planet and people prosper together. Millions of acres of working forests and farms are managed according to rigorous standards for sustainable environmental, social and economic practices. Farms that meet the comprehensive criteria of the Sustainable Agriculture Network (SAN) are awarded the Rainforest Alliance Certified™ seal that helps consumers make an informed purchasing decision. You'll find that many items in our stores feature the "green frog" seal, like our Private Selection coffees, Home Sense™ tissues and other rolled tissue products, and many of the flowers we sell.



**19**SUPPORTED FISHERY
IMPROVEMENT
PROJECTS

*We actively evaluate if there are areas
where we can influence positive change.*

HIGH-IMPACT COMMODITIES

High-impact commodities are commodities that have been identified as having the potential for a greater social, environmental, or economic impacts due to where and how they are produced or processed. Kroger leads and participates in industry-wide and global forums to learn more about some of these key commodities, and their specific social and environmental impacts. We actively evaluate if there are areas where we can influence positive change. Here are examples of what Kroger is doing in several key areas: sustainable seafood, dairy, palm oil, conflict minerals and flowers.

SUSTAINABLE SEAFOOD

Offering sustainable wild caught and farm-raised fish is important to our customers and Kroger. Our seafood buyers recognize the importance of responsibly sourced seafood and are taking steps to ensure that the variety of fish we enjoy today is available for future generations.



Kroger Seafood Sustainability Commitment

*"We applaud Kroger for extending its commitment to all of its wild-caught fish, 90% of which will come from MSC-certified fisheries by 2020. As the most robust and credible program for wild-caught seafood, MSC ensures that the certified fisheries from which Kroger is sourcing its seafood are managed sustainably. Kroger's commitment signals to suppliers that demand for sustainable, MSC-certified seafood will continue to grow."—Caroline Tippet
Director of Seafood, WWF*

WILD-CAUGHT SEAFOOD

In 2009, Kroger began a collaboration with World Wildlife Fund (WWF). This work helps us better understand the sustainability of fisheries where we source our seafood. By 2015, our goal was to source 100% of our top 20 wild-caught species (by volume) from fisheries that are Marine Stewardship Council (MSC) certified or on the path to certification—that is, being fully assessed for MSC certification or engaged in a comprehensive fishery improvement project. As of our last review, 86% of our top 20 wild caught fresh and frozen species by volume met these criteria.

This year Kroger has extended and expanded our commitment to sustainable seafood procurement and our work with WWF. Our new commitment now includes all wild-caught species and states that, by 2020, Kroger will source:

- 100% of its wild-caught seafood from fisheries that are Marine Stewardship Council (MSC) certified, in MSC full assessment, in comprehensive Fishery Improvement Projects (FIPs), or certified by other GSSI-recognized programs; and
- Kroger will preferentially source MSC-certified wild-caught seafood and, by 2020, Kroger will source at least 90% of its volume from fisheries that are MSC certified.

As of our initial assessment, Kroger is currently sourcing 83% of our wild-caught fresh and frozen species by volume under this criteria, with 66% of our total volume coming from MSC certified fisheries.

In addition, Kroger is committed to source 100% of shelf-stable tuna from the International Seafood Sustainability Foundation-participating companies.



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HIGH-IMPACT COMMODITIES



©WWF-US/Molly Edmonds

WILD-CAUGHT GOAL

100%

Top 20 Wild-Caught Species

MSC certified, in full assessment, or in a FIP

by 2015

PROGRESS

86%
MEETS GOAL

PARTNER



FARMED GOAL

100%

Corporate Brands Farm Raised

Best Aquaculture Practice Level 2

by 2012

PROGRESS

100%
BEST AQUACULTURE PRACTICE LEVEL 2 FARM RAISED

PARTNER



CANNED GOAL

100%

Corporate Brands Canned Tuna

Sourced from ISSF participating companies

by 2013

PROGRESS

100%
SOURCED FROM ISSF PARTICIPATING COMPANIES

PARTNER



Sustainably Sourced
SEAFOOD





Kroger-Supported Fishery Improvement Projects (FIPS)

"As one of the country's leading supermarket chains, Kroger has significant reach and influence to spur fisheries to improve their environmental performance and earn MSC certification. By supporting fishery improvement projects, the company is helping fisheries along the pathway to becoming MSC-certified, which benefits fishing communities, food companies, U.S. consumers, and global ocean health alike."—Stephanie Bradley

Manager of Fishery Improvement Projects, WWF

HIGH-IMPACT COMMODITIES

FISHERY IMPROVEMENT PROJECTS (FIPS)

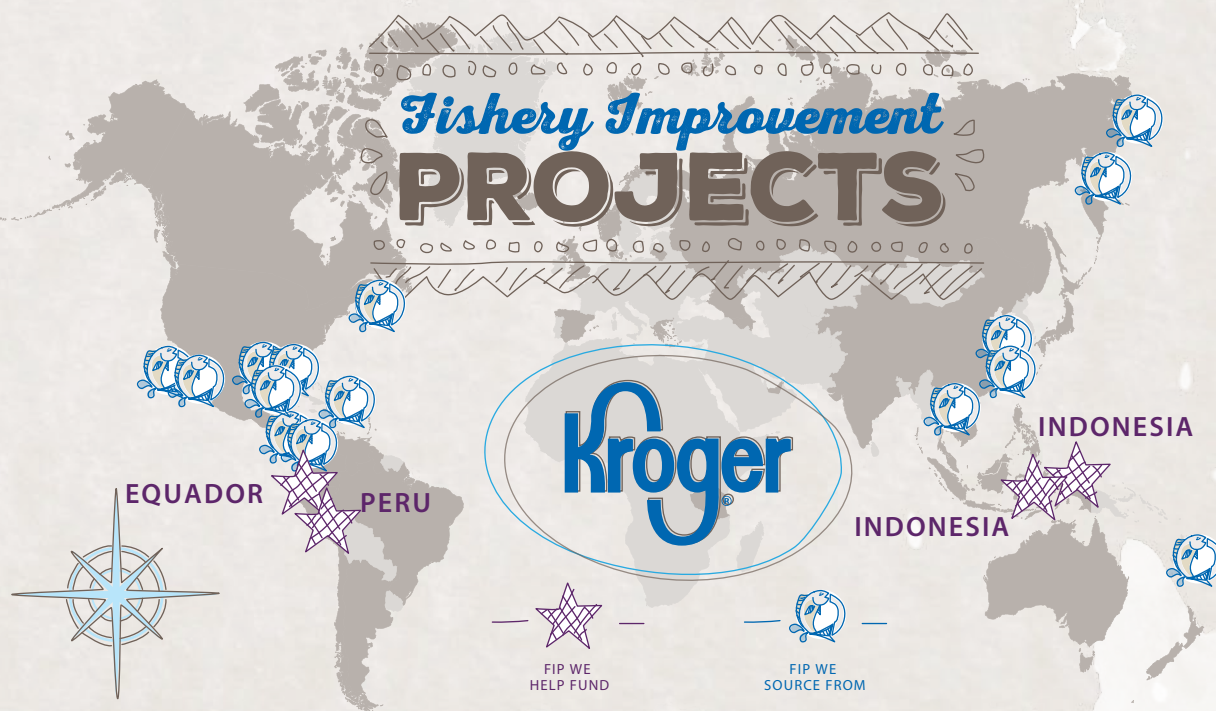
Comprehensive FIPs offer a step-wise approach for fisheries to reach the MSC standard. This collaborative effort brings together fishers, the private sector, government, researchers, and NGOs to improve the environmental performance of a fishery. This approach ensures that FIP activities are aligned with regionally specific interests.

By working with WWF to support comprehensive FIPs, Kroger is helping improve the health of the world's

oceans and ensure the long-term viability of fisheries and livelihoods of fishers around the globe.

KROGER-SUPPORTED FISHERY IMPROVEMENT PROJECTS (FIPS)

Kroger has supported 19 fishery improvement projects (mapped below) since 2010 through sourcing, letters to key stakeholders and/or direct funding.





HIGH-IMPACT COMMODITIES

Kroger is now a formal WWF FIP Participant for several of WWF's FIPs, including Ecuador and Peru mahi-mahi; Bahamas, Honduras and Nicaragua lobster; Vietnam blue swimming crab; and Vietnam yellowfin tuna. This means that Kroger actively helps the FIP progress by engaging their suppliers, supporting policy asks, and providing funding for implementation of FIP activities.

Supplier Collaboration—Peru Mahi-Mahi FIP

Kroger and WWF are working with other stakeholders to strengthen Peru's mahi-mahi fishery. In 2014, Peru exported more than \$73 million worth of mahi-mahi, about 70% of it to the United States. Peru is the largest exporter, and the United States the largest importer, of mahi-mahi worldwide, which is why Kroger's support has been so crucial to the success of the project. Most recently, Kroger has supported efforts to increase education, funding, and governmental support for the FIP. It also supported the completion of a mahi-mahi supply chain analysis which identified the key "choke points" in the supply chain and will help improve traceability and reduce illegal fishing. The fishery anticipates entering MSC Full Assessment in late 2018.

"Seafood consumers are increasingly aware of the issues affecting our oceans. As a result, achieving seafood sustainability through the support of global Fishery Improvement Projects and responsible sourcing are of critical importance to not only secure seafood availability but also guarantee the future of our industry," said Adriana Sanchez, Sea Delight's Director of Sustainability. "We are proud to be a supplier partner of Kroger and be able to meet their seafood sustainability goals through our company's active engagement in Fishery Improvement Projects (FIPs) and working closely with Kroger's NGO partner, the World Wildlife Fund (WWF) in supporting these initiatives. Since 2014, Sea Delight has worked with WWF in support of the Mahi-Mahi Fishery Improvement Project (FIP) in Peru. Kroger's commitment to seafood sustainability is proof that, through their purchasing power, they can generate change within their own supply chain, thus, inspiring companies like ours to continue supporting projects like the mahi-mahi FIP in Peru. Most importantly, I believe providing market access to fisheries involved in FIPs is an incredible incentive for these fisheries to not only engage in fishery improvement projects but also continue to be active stakeholders and invested knowing that there is a place in the market for their products."

© Brett Stirton / Getty Images / WWF

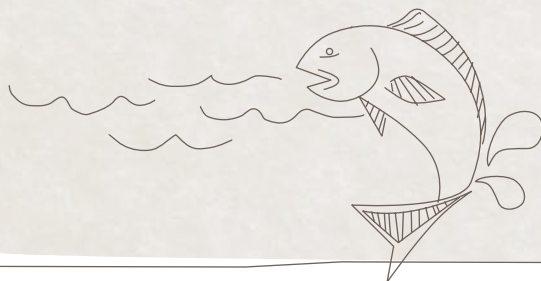




Canned Tuna Sustainability

"Kroger's expanded commitment to ISSF for all of the canned and pouched tuna it sells is an important step forward. ISSF advocates for the sustainable management of the world's most productive tuna fisheries and having even more support from Kroger will build momentum for sustainable tuna, the health of the oceans they live in, and the well-being of the people who rely on them for food and jobs."—Bill Fox

Vice President, Fisheries, WWF



AT-RISK SPECIES

Sometimes, however, there is consensus and science that a species should not be fished and needs time to recover. In those cases, we will not source these species from areas at risk. Therefore Kroger does not source shark, blue fin tuna, marlin, skates, rays, parrot fish and monk fish. We listen to and learn from NGOs with expertise and experience in these areas. We rely on expertise from many sources and science to guide our sourcing decisions. We are proud of the work we are doing as a result of our partnerships and informed buying processes.

CANNED TUNA

All of our corporate brand canned tuna is sourced from companies that participate in the International Seafood Sustainability Foundation (ISSF). Kroger's new commitment extends this policy to all canned and pouched tuna sold in Kroger's stores. The ISSF was formed in 2009 to create science-based solutions for tuna fisheries worldwide. We are committed to continuously evaluating improvement in this area. Annually Kroger will be reviewing ISSA member companies' ISSF compliance reports to support progress and improvement in tuna fisheries globally.

TRACEABILITY

As part of Kroger's new commitment to sustainable seafood sourcing and our work with WWF, we recognize that traceability and the removal of illegally sourced seafood

HIGH-IMPACT COMMODITIES

is a critical component of a comprehensive sustainable seafood policy and commitment. Kroger is committed to ensuring traceability and has committed to support the WWF Traceability Principles for Wild Caught Fish Products. See how we are also increasing checks and balances in the seafood supply chain through our growing social compliance program (page 44).

AQUACULTURE (FARM-RAISED)

Farm-raised seafood is a healthy alternative, too. Since 2012, all of our farm-raised corporate brand seafood suppliers have achieved and maintain the Global Aquaculture Alliance's (GAA) Best Aquaculture Practice (BAP) level 2 certification. This third-party audit ensures high standards for environmental practices, food safety, quality, and traceability. For more information, please visit <http://www.gaalliance.org/>.

GLOBAL SUSTAINABLE SEAFOOD INITIATIVE

As part of our commitment, Kroger will also source seafood from fisheries certified by programs recognized by Global Sustainable Seafood Initiative (GSSI). Its mission is to create a common, consistent and global approach for the continuous improvement of seafood certification and labeling programs that promote seafood sustainability. Since GSSI's launch in 2013, more than 30 companies and multiple other stakeholders have engaged in its programs.



HIGH-IMPACT COMMODITIES

HOW WE IMPROVE

Kroger takes its responsibility to influence fishing and farming practices around the world seriously. We listen to and learn from many advocates for sustainable fishing practices and respect the multiple viewpoints that exist for how to ensure the future of various species of fish. We continually evaluate how we can improve our buying and sourcing practices, and contribute to the work being done to improve the sustainability of wild-caught, farm-raised seafood, canned tuna, as well as those who catch, process, and distribute seafood.

Kroger believes in the importance of transparency and we will continue to share information with our customers about the dynamic seafood sustainability landscape as well as work to improve and promote it. Last year we launched a series of videos to share our approach to seafood sustainability. To learn more about our seafood sustainability efforts and policy, please visit our website at <http://sustainability.kroger.com>.



PALM OIL

Today, palm oil is the world's leading oil crop and accounts for roughly one-third of the global vegetable oil production. Unless it is sourced responsibly, however, palm oil can contribute to deforestation in parts of the world.

In April of 2013, Kroger adopted a company policy about the use of palm oil in our corporate brand products. We

committed to purchase 100% certified sustainable palm oil (CSPO) to be used in these products by the end of 2015. Suppliers have been asked to acknowledge and accept our corporate policy, as well as demonstrate their progress. At the end of last year, all Kroger corporate brand products that contain palm oil are sourcing 100% CSPO. We continue to work with suppliers to maintain the integrity of this commitment.



HIGH-IMPACT COMMODITIES

DAIRY

Kroger is both a retailer and processor of milk. We have 18 fluid milk processing plants across the U.S. Kroger is committed to producing and selling the highest quality, freshest, most sustainable dairy products available.

Our dairies processed more than **467 million gallons of milk for our customers in 2015**. We receive our raw milk from local dairy farmers across the United States.

We have invested in many initiatives from the farm to the store that make Kroger a leader in providing the freshest milk possible. Kroger has strict quality metrics for incoming raw milk. From the time we receive it we keep it cold and moving through the plant, adhering to strict quality standards. These efforts allow us to provide a 10-day freshness guarantee, making us a leader in the industry.



467 MILLION
gallons of milk produced



**...THAT'S 7.5 BILLION
GLASSES OF MILK
IN 2015**

Kroger Gives Hope by the Gallon for Hunger Action Month

In 2015, MilkPEP and Feeding America teamed up with Kroger for an in-store, consumer-facing campaign called **Pour It Forward** during national Hunger Action Awareness month. Families across the country face a shortage of milk every day. MilkPEP developed a campaign designed to educate customers about the importance of milk and the vital need to increase the availability of milk to underserved families. More than 2,400 Kroger stores participated in the campaign that included signage to encourage customers to "give hope by the gallon" by adding a small donation of \$1, \$3 or \$5 to their grocery bill to help a local family. By the end of the campaign, our generous customers provided more than 100,000 gallons of fresh milk to struggling communities in the form of vouchers for a free gallon of milk, redeemable at any of the Kroger family of stores. The vouchers allow Feeding America food banks to receive the milk on a need based schedule and ensure no milk is wasted. Kroger was able to reinforce our ongoing commitment to fighting hunger while simultaneously generating milk sales. MilkPEP help connected the dairy industry to families in need while educating customers at over 2,400 retail locations on the importance of milk.



HIGH-IMPACT COMMODITIES

Natural Prairie Organic Farm

At Natural Prairie Dairy, we are committed to producing quality, organic milk. We believe in creating a sustainable, traceable product that is humanely produced and respectful of the land, animals and people that make up Natural Prairie. We have been meticulous in creating processes that support and rely upon our land, cows and people working together. Because organic farming requires the utmost respect for the land, that's exactly how we operate—giving back as much as we take while focusing on sustainability. We grow our own organic feed on land fertilized with the nutrients our cows produce, and always free of herbicides and pesticides. Utilizing modern technology, we are able to measure and respond to the land, conserve resources and care for the environment. Our cows need a sustainable farm ecosystem to produce healthy organic milk. That is why we focus on their needs using a highly qualified, trained staff, ensuring our cows have round-the-clock access to the best care. We are always evolving, using new methods that help us to constantly improve our efficiencies. Dairy farming has been our family tradition for over 60 years, and we are proud to produce sustainable, organic milk from our family to yours.

"We are proud to work with Kroger in bringing nutritious, organic milk to consumers across the country. As a family owned and operated business, we share their commitment to honest, high quality products created with integrity and respect for our cows and the land."—Donald and Cheri De Jong

Innovation Center for U.S. Dairy

Kroger entered into a partnership with the Innovation Center for U.S. Dairy in 2015 to explore opportunities to improve sustainability across the dairy supply chain. In its first year, the partnership worked to develop a Geographic Information Systems (GIS) platform to host data supporting a food waste diversion tool. In 2016, efforts will focus on increasing food waste diversion from landfills at Kroger's manufacturing and retail facilities. Part of this effort is identifying opportunities for construction of new anaerobic digesters to take both food waste and manure. Kroger will also launch an effort to benchmark existing food waste across all facilities using a globally-accepted measurement platform. Work will continue with the Food Waste Reduction Alliance to identify practical, scalable solutions addressing the dual challenges of food insecurity and food waste. For more information on the U.S. Dairy Innovation Center, please visit www.usdairy.com.





HIGH-IMPACT COMMODITIES

FLOWERS

As the nation's largest florist, we work with leading suppliers who understand how to effectively manage their farms now, and into the future. We understand that customers increasingly want to know where and how flowers are grown, harvested and transported. Rainforest Alliance Certification offers a comprehensive approach to sustainable agriculture. On Rainforest Alliance Certified™ flower farms, dangerous agrochemicals are prohibited and soils, waterways and wildlife habitat are protected. Farm workers enjoy decent housing, access to medical care and schools for their children. The little green frog seal assures consumers that the flowers they are purchasing have been grown and harvested using environmentally and socially responsible practices.

Our corporate brand roses are Rainforest Alliance Certified.

JEWELRY

Fred Meyer Jewelers helps turn our customers' life occasions into celebrations, and we do it responsibly. We engage with the Responsible Jewelry Council (RJC), an international non-profit organization bringing together more than 700 member companies across the supply chain, and our suppliers to raise industry standards and improve sourcing practices. The RJC works to improve consumer confidence in the jewelry industry by creating auditable standards. Certification builds trust between companies in the industry and our customers. By maintaining our certification we demonstrate our commitment to responsible practices in a way that is visible to our customers and business partners.

Kentucky Derby—Garland of Roses

Did you know that Kroger supplies the flowers for the Kentucky Derby? Since 1987, Kroger's master floral designers have crafted the "Garland of Roses," which is bestowed upon the winning thoroughbred. In our Middletown, KY store, our customers are able to see the garland being created. It takes nearly one dozen master florists and many volunteers approximately seven hours to create the garland, which measures 122 inches long by 22 inches wide, weighs approximately 40 pounds, and contains more than 400 rainforest alliance "freedom" roses. The roses are hand selected and sewn into the backing. Each rose has its own vial of water to help keep it fresh. The finished garland gets a police escort from the store to Churchill Downs, where it is on display and guarded by the U.S. Navy. The garland is then presented to the winning horse and jockey of the Kentucky Derby. Kroger is proud to produce the garland for the greatest two minutes in sports.





14K+
FOOD SAFETY
REVIEWS

Food safety is Kroger's top priority.

SAFETY FIRST—FOCUSING ON KEEPING OUR CUSTOMERS AND THEIR FAMILIES SAFE

Food safety is Kroger's top priority. We want to ensure our customers can count on wholesome, fresh, and safe food for their families. Therefore, we have well-established, science-based practices in place to ensure that the food items sold in our stores are prepared and handled safely. Our excellent food safety team continues to develop and maintain programs to address emerging food safety topics. Kroger's board of directors and senior management actively monitor our food safety performance.

RETAIL STORES

AUDITS

Kroger conducts a bi-monthly food safety review (FSR) audit of each store. These audits are conducted by third-party firms and augment inspections conducted by local health departments and company associates. In 2015, Kroger conducted 14,284 food safety reviews and followed up on results to resolve any issues that were identified.

Kroger monitors food safety audit results with the same rigor as financial results. We use these audit results to consistently monitor our store operations, and to understand and correct non-compliance with our own standards and those of governmental agencies.



SAFETY FIRST—FOCUSING ON KEEPING OUR CUSTOMERS AND THEIR FAMILIES SAFE

TRAINING AND CERTIFICATION

In 2015, we provided food-safety training to more than 50,400 hourly associates. Associates working in our perishable foods department are required to complete food safety training and to pass tests.

Store managers must take an eight-hour course in food safety and pass the Certified Food Safety Manager (CFSM) test, a nationally accepted certification requirement. Our co-managers are also required to obtain this certification during their training. More than 4,700 store managers and co-managers earned this certification last year.

FOOD AT SAFE TEMPERATURES

Keeping foods at safe temperatures is critical to providing fresh, high-quality products that will keep our customers safe and coming back to our family of stores. We maintain temperature logs to ensure all perishable foods are stored at the proper temperature. In fact, we monitor temperatures every four hours for cold foods and every two hours for hot foods. Store managers review these temperature logs routinely and during our bi-monthly Food Safety Review (FSR) audits.

We continue to find new ways to improve. We are putting an automatic temperature monitoring program in all of our refrigerated cases. To date, this equipment has been installed in nearly 1,700 stores. This program monitors temperature and trends and sends alarms to store management when temperature trends indicate warming.

This alarm feature enables store associates to react to negative temperature trends well before they become food safety issues.

RECALLS

Products are removed from stores for many reasons. Sometimes it is due to an incorrect label. Other times an incorrect ingredient is added. On rare occasions, a product can be recalled because it may be the source of illness or injury. Kroger follows the industry and government standards for both product recalls and withdrawals. Our 24-hour, seven-day-a-week process for quickly removing from sale any recalled or withdrawn product leads the industry. Kroger was one of the first retailers to implement a customer notification system for certain types of recalls. Using our customer loyalty database, we are able to quickly notify customers via register receipts and phone calls about recalls of products they may have purchased.

GFSI AUDITS

Kroger believes in the importance of continuous improvement in the food safety area. In 2015, every Kroger manufacturing plant received full Global Food Safety Initiative (GFSI) certification. These standards are best-in-class and require the constant improvement in food safety as measured by certified third-party auditing companies. All of our private label suppliers are required to have GFSI certification.




37

 MANUFACTURING
PLANTS

Our customers and other stakeholders implicitly trust us to source our products responsibly.

QUALITY AND CORPORATE BRANDS MANUFACTURING STANDARDS

Kroger operates 37 dairies, bakeries and grocery manufacturing plants around the country. Nearly half of our corporate brand grocery products are manufactured in one of our own plants. We follow leading industry practices and use the same type of auditing approach with our plants that we use with our retail grocery stores, combining the data from third-party audits, internal audits, and those of regulatory agencies to help us monitor and continuously improve our operations.

We set high quality and performance standards for all of our corporate brand products, whether we make them ourselves or use a third-party supplier. We measure our performance in several ways, including comments we receive on our toll-free phone line and via emails. A standard industry measure of product quality is the number of comments received per million units of product. In 2015, our rate of customer comments per million units of product was 9.18, which decreased slightly from 2014. We continue to monitor this important source of feedback and regularly review all customer comments. Our product technologists investigate the causes and implement corrective actions as needed.

When Kroger customers have questions, concerns or just need help in planning that special meal, they can call us toll free at 1-800-KROGERS or email us through Kroger.com. We have professional dieticians and home economists on staff, as well as other specially-trained representatives who can help.

SUPPLIER OVERSIGHT AND MANAGEMENT

Our customers and other stakeholders implicitly trust us to source our products responsibly. Kroger is making efforts to improve management of our supply chain so that we may better support fair treatment of the workers who produce our products.



QUALITY AND CORPORATE BRANDS MANUFACTURING STANDARDS

INFORMATION SYSTEMS

Kroger utilizes a Supplier Information Management (SIM) system to automate supplier qualification, set-up, and communication processes. The SIM system helps us maintain a common set of data on all of our existing and potential suppliers, increasing visibility across our vast sourcing network. The data is housed in one central location and accessible to qualified associates across the company. Sourcing teams are able to easily identify suppliers who are, or are not, qualified to do business with us. This improved transparency across the supply chain allows us to better manage the risks associated with third parties and document clearer accountability for all parties involved in our complex global supply chain.

SOCIAL COMPLIANCE PROGRAM

The focus of our social compliance program is ensuring compliance with our Vendor Code of Conduct. In 2015, we expanded our social compliance team, invested in technology and implemented additional processes designed to further improve the lives of workers in our supply chain and increase the trust in our sourcing activities. This team assesses risks of human rights violations in the supply chain, reviews our social compliance audits, and provides reports that inform our business decisions.

VENDOR CODE OF CONDUCT

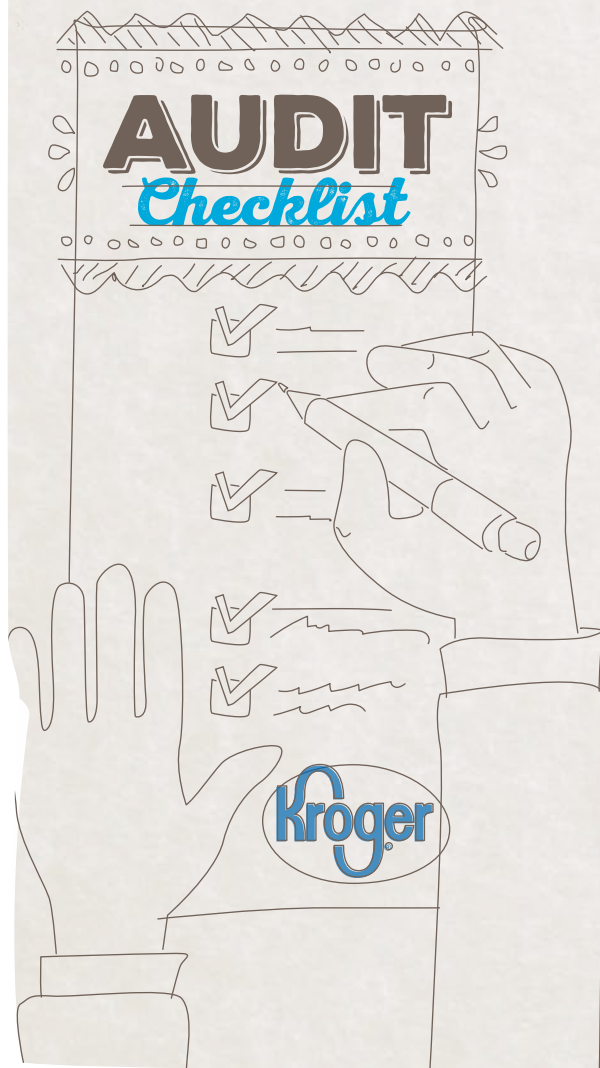
In order to do business with Kroger, a supplier is required to agree to our Vendor Code of Conduct, which can be found [here](#). This Code makes it clear that our suppliers (and their suppliers) must meet the legal requirements applicable to them and meet the high ethical standards expected by Kroger. We have a zero tolerance policy for human rights violations. If suppliers (or their suppliers) do not live up to our Code, we will not do business with them.

AUDITS

Our Code allows Kroger or its designated representatives to audit supplier facilities for compliance with the Code.

In designing our audit, we partnered with a world class inspection, verification, testing and certification company to ensure we meet and exceed industry standards. After additional review by a cross-functional business team and consultation with third-party stakeholders, we decided to focus our audits on child and forced labor, disciplinary practices, discrimination, environment, ethics, freedom of association, health and safety, monitoring sub-tier supplier compliance, subcontracting, working hours and compensation.

We recently published the [audit questions](#) contained in our audit. This will allow our suppliers to better understand our expectations prior to an audit taking place and increase transparency with our external stakeholders.





Seafood Highlight

The effectiveness of our approach was demonstrated during the past year when we recognized a growing concern about human trafficking in Thailand's seafood industry. Kroger immediately reprioritized our scheduled audits to move seafood facilities in Thailand to the top of the list and was able to complete audits of all 1st tier seafood facilities located in that country during 2015. After most of the initial audits had occurred, we learned of growing concerns regarding human rights abuses in Thailand's shrimp peeling sheds. Even though peeling sheds were not permitted in our supply chain pursuant to the requirements of our certification partners, Kroger reviewed its audit backup information and, where confirmation could not be obtained from this material, quickly deployed representatives from our audit firm to our supplier locations to confirm that peeling sheds were not being used by our suppliers. We also now audit a sample of randomly selected 2nd tier shrimp farms in an attempt to identify any unauthorized outsourced operations.

QUALITY AND CORPORATE BRANDS MANUFACTURING STANDARDS

IDENTIFYING THIRD-PARTY RISKS

In order to identify risks for audit prioritization purposes, we review information from and meet with governmental organizations, non-governmental organizations, industry groups and other stakeholders. We also rely on our merchandising teams and suppliers to keep us informed of supply chain risks. In 2016, we are partnering with The Sustainability Consortium to assess ten key commodities using their system, which is designed to help identify and further understand social and environmental risks in upstream commodities. Our social compliance steering committee then reviews the information and recommendations from our social compliance team to prioritize high risk countries and commodities.

2015 PROGRAM RESULTS

In 2015, Kroger more than doubled the number of social compliance audits from the prior year and implemented a robust process to analyze and act upon the results of the audits.

Kroger takes seriously any violations of our Code of Conduct. Facilities with violations are placed on a corrective action plan (CAP). Audited facilities placed on a CAP are required to resolve the pending corrective action items before a given deadline. Facilities that fail to resolve corrective action items before the deadline are subject to order cancellation and disqualification as an authorized Kroger supplier.

Facilities that accumulate any Zero Tolerance violations are automatically designated as "Not Approved," and are considered to have failed the audit. Our policy prohibits the supplier from shipping product to Kroger until the Zero Tolerance violations are corrected. Upon satisfactory resolution of all Zero Tolerance violations, these facilities are eligible to be reinstated.

Some Zero Tolerance violations can result in automatic failure with no opportunity for short-term reinstatement. Cases of suspected child labor, suspected forced labor or attempted bribery by the facility fall within the "Prohibited" category. Prohibited suppliers are immediately removed from the Kroger supply chain.

GOING FORWARD

Our customers trust that the products we bring to market are sourced from reputable suppliers who provide safe and fair working conditions for their workers. We expect our program to continue to evolve and develop to ensure a responsible and ethical supply chain.

Kroger believes that to truly effect change in this area all constituents need to work together. By coordinating the efforts being undertaken at all levels of the supply chain and by working with other retailers, trade associations, and other organizations, we can eliminate audit redundancy and unnecessary costs and refocus those resources to improve the lives of workers and strengthen the supply chain that brings food and other necessary products to our customers.

**100%**DAIRY FARMS
ENROLLED IN
F.A.R.M.

Kroger has a long-standing commitment to responsible business practices, including the humane treatment of animals.

ANIMAL WELFARE

Kroger has a long-standing commitment to responsible business practices, including the humane treatment of animals. While Kroger does not operate any farms or animal processing facilities, we continue to provide leadership on this important topic within the retail grocery industry. Specifically, we require our suppliers to meet or exceed the Food Marketing Institute's (FMI) Animal Welfare standards. In addition, since 2008, we have convened our own independent panel of animal science experts to make recommendations on how we can work with the industry to improve animal welfare. These experts meet at least once annually to review our suppliers' compliance with the FMI's Animal Welfare standards and other best practices. When audits fall below acceptable norms, our Regulatory Compliance Team determines improvement steps with our vendors.

We continue to work with the vendor community to embrace new best practices in animal welfare. In the last several years, Kroger has committed to addressing gestation crates for pregnant sows; to evaluate dairy dehorning, the sub-therapeutic use of antibiotics and the transition to cage free eggs.

Our suppliers continue to move away from the use of gestation crates with many stating publicly their goals for complete transition. We support compliance with the National Pork Producers Council, "Pork Quality Assurance Plan" (PQA) and "Transport Quality Assurance" (TQA) programs.

We continue to monitor the practice of dehorning (or disbudding) of dairy and beef cattle and have sought diverse perspectives around this issue. We also understand that several leading dairy farms that supply Kroger are integrating a significant portion of polled bulls into their herds. Kroger is encouraging this transition but understands that polled genetics will require a thoughtful, long-term transition to be integrated into responsible herd management. We also support the proper pain management protocols for disbudding as approved by the American Veterinarian Medical Association, during this transition.



ANIMAL WELFARE



National Dairy F.A.R.M. Program

"Kroger has long been a supporter of the F.A.R.M. Program—endorsing the core elements of the Program while encouraging its continued evolution so that we continue to not only meet—but exceed—consumer expectations. Kroger's insights and leadership in sustainability and social responsibility have and will continue to be held in the highest regard by the F.A.R.M. Program and entire dairy community."
—Emily Meredith, Chief of Staff, National Milk Producers Federation

Kroger has requested that the dairy co-ops that supply us are, at a minimum, enrolled in The National Dairy F.A.R.M. Program: Farmers Assuring Responsible Management™, which provides consistency and uniformity of best practices in animal care and quality assurance in the dairy industry. By the end of 2015, 100% of dairy farms supplying raw milk to Kroger were enrolled in the F.A.R.M. program, and committed to continuous improvement. Further, Kroger has representation on the Innovation Center for US Dairy's Animal Welfare committee to assist and encourage continued improvements to this certification. We applaud the recent modifications and improvement to the 2017 protocol.

Kroger is leading the industry with our offerings of antibiotic free meats. In addition to several national brands, our Simple Truth™ line of chicken, beef and pork is available in stores and is entirely antibiotic free.

As our customer base has been moving to cage-free at an increasing rate, **Kroger's goal is to transition to a 100% cage-free egg supply chain by 2025.** Kroger's family of stores is committed to working with our suppliers during this transition in a way that ensures eggs are readily available, safely produced, and affordably priced for all of our customers.





INGREDIENT SAFETY

Over the last several years, our corporate brands team has responded to customers' requests to remove certain ingredients from our products. We have also worked to reformulate alternatives for our baby products. They are now free from triclosan, quaternium-15, phthalates, parabens and chlorine free pulp. By the end of 2014, corporate branded body washes and antibacterial soaps were triclosan-free. This area continues to evolve and our corporate brands will respond. See pages 28 and 29.

BISPHENOL A (BPA)

Kroger recognizes that BPA is of concern to some customers. To address these concerns, Kroger has been working to limit the presence of BPA in our corporate brands portfolio. As a high priority, Kroger addressed products commonly used by infants and toddlers (such as pacifiers, training cups, and feeding utensils) by notifying suppliers of these items that Kroger would only accept BPA-free offerings in this category. Since 2009, the infant and toddler products in our corporate brands portfolio have been BPA-free.

Kroger is steadfast in its efforts to remove BPA from the linings of our Corporate Brands packages. We have made significant progress in engaging our canned goods suppliers to transition to feasible, Non-BPA alternatives. As of May 2016, corporate brands has converted 370 canned goods to Non BPA liners. This includes all canned offerings under our Simple Truth Organic® brand. As packaging labels get updated, customers will be able to

identify which canned goods have Non BPA liners by simply locating our standardized Non BPA liner icon across our corporate brands portfolio.

ENGAGING WITH STAKEHOLDERS

We believe it's important to listen to diverse perspectives when addressing concerns related to our supply chain and to positively influence where we can. We voluntarily collaborate with various industry groups, listen and learn from our investors, seek sound science from both governmental and non-governmental agencies, and we listen to our customers' concerns.





\$2.4

**BILLION
IN DIVERSE
SUPPLIER SPEND**

photographer:
Shellee Fisher Photography

Diversity is one of Kroger's core values and we have actively sought diversity among our vendor partners for more than 30 years.

SUPPLIER DIVERSITY

Diversity is one of Kroger's core values and we have actively driven diversity among our vendor partners for more than 30 years. Minority-owned, and women-owned business enterprises (MBEs and WBEs) along with other diverse businesses provide products, services and perspectives that align with our strategies and help us better understand both our customers' needs and trends in the marketplace. We value our business relationships with these M/WBEs because they provide employment opportunities in our local communities and their products and services are often unique and generate positive sales results.

BILLION DOLLAR ROUNDTABLE (BDR)

Since 2006, Kroger has spent more than \$1 billion annually with minority and women-owned business enterprises. As a result, Kroger is a member of the Billion Dollar Roundtable, a prestigious forum of 20 corporations that have achieved \$1 billion or more in annual spending with M/WBEs. We achieved this goal by partnering with **929 M/WBE** companies in 2015. Other Billion Dollar Roundtable members include Procter & Gamble, Johnson and Johnson, Toyota and Microsoft.

During 2015, The Kroger Co. was honored to be selected as one of America's Top Corporations for Women's Business Enterprises (Bronze Distinction) by the Women's

Business Enterprise National Council (WBENC). Kroger was one of 59 corporations that received this esteemed Leading Programs Distinction.

The list of Top Corporations is designed to recognize organizations who are choosing to integrate policies and programs across the corporation to enable growth and reduce barriers for women-owned businesses; increasing opportunity in new markets—both domestically and internationally; fueling innovation; and empowering communities through economic growth and jobs.



SUPPLIER DIVERSITY

MILLION DOLLAR CLUB

In 2015, the United States Hispanic Chamber of Commerce (USHCC) once again included The Kroger Co. in its "Million Dollar Club." This club recognizes corporations that are leaders in integrating Hispanic-owned business enterprises (HBEs) into their supply chains.

Kroger was among 52 other corporate inductees, including AT&T, Johnson and Johnson, and Toyota. Honorees that were recognized spent between \$25 million to upwards of \$1 billion with Hispanic-owned companies in 2015.



DIVERSITYBUSINESS.COM'S DIV50 LIST

Kroger was ranked 10th on the 16th annual list of America's Top 50 Organizations for Multicultural Business Opportunities by DiversityBusiness.com. This makes the sixth consecutive year that Kroger has been recognized by this highly respected organization. Known as "the Div 50," it is a listing of the top 50 corporate and organizational buyers of diversity products and services throughout the U.S. The list is compiled based on responses to DiversityBusiness.com's annual survey of more than 1,500,000 diverse-owned businesses.



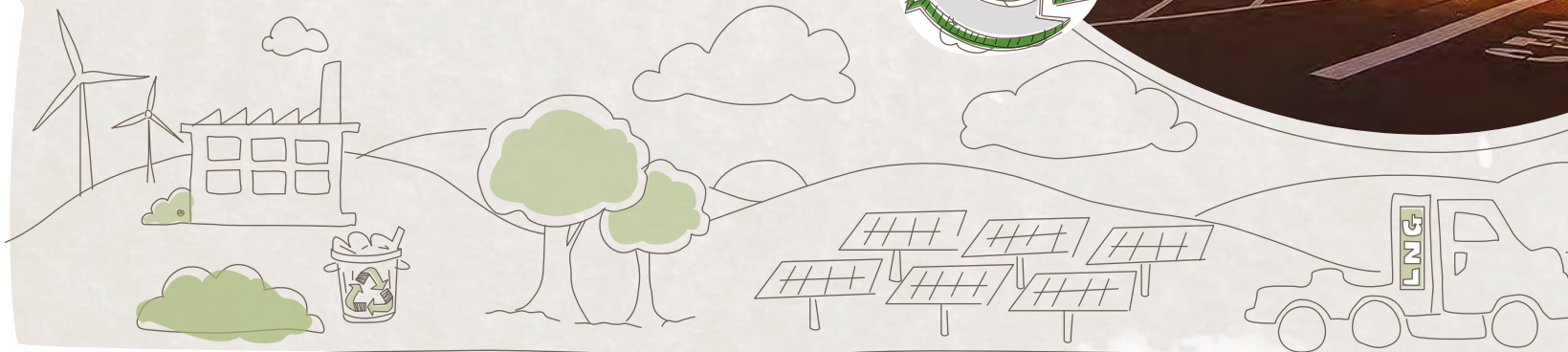
Women's Distribution Services

Women's Distribution Services (WDS) was founded in 2007 by Jennifer Maier and has become widely respected for its services and customer focus. WDS uses a real-time inventory management system to provide more accurate forecasting for their clients. This, along with their innovative approach to engineering and packaging, creates supply chain management solutions. WDS has improved consistency in service, lowered our costs, and works with many of Kroger's top suppliers.

In 2012, The Kroger Co. was facing a major labeling issue with our meat totes system. Women's Distribution Services Inc., a WBENC-certified woman-owned business, provided a solution that saved Kroger a considerable investment in a packaging redesign. WDS has since become a first- and second-tier supplier to Kroger. Kroger and WDS continue to collaborate and are currently working on the creation of an in-store, freestanding, labeling application for the meat and deli area. The program has been piloted in 200 stores and is planned to go nationwide. The partnership between Kroger and Women's Distribution Services is a leading example of the way major corporations and WBEs can succeed together.

Our Commitment to the Environment

Environment





2.32
BILLION kWh
SAVED

ENERGY/CARBON

Kroger has a commitment to environmental sustainability. We strive to reduce our impact on the environment by using natural resources responsibly and minimizing waste in all of our operations.

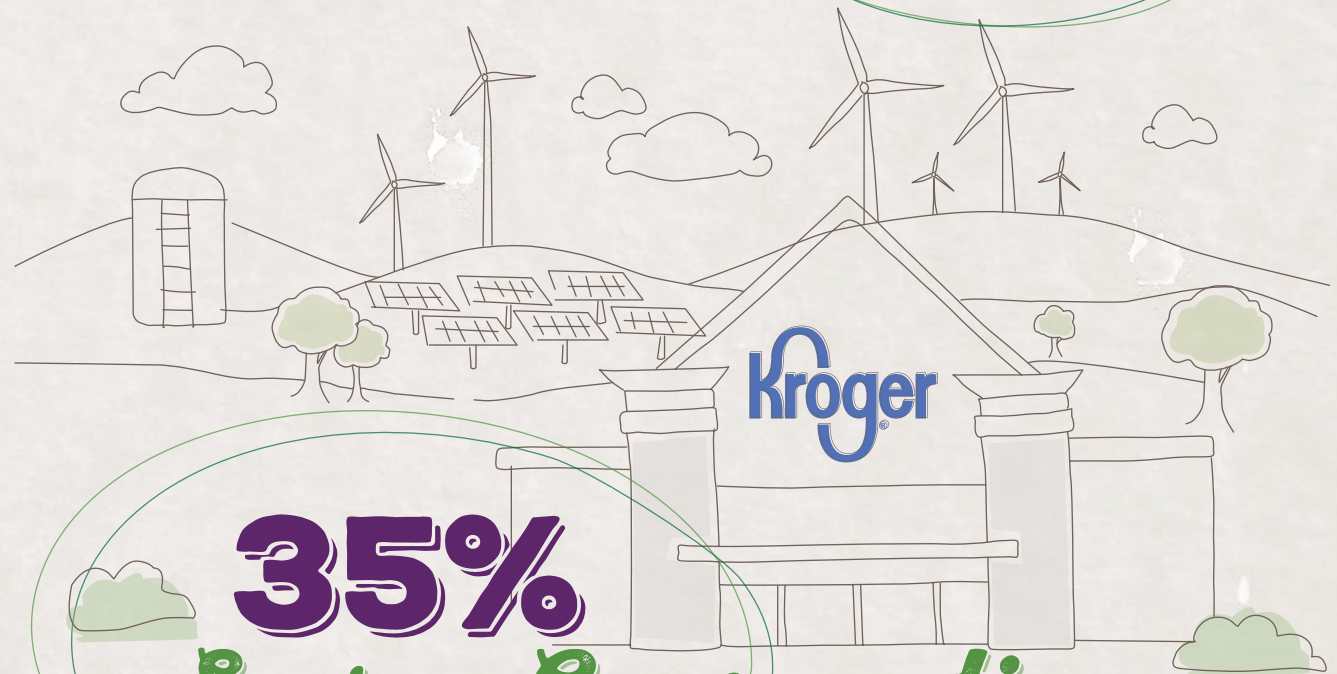
Our aggressive work in energy management has enabled us to reduce overall energy consumption in our stores by **35.22%**. We have saved more than **2.32** billion kWh—that is enough electricity to power every single-family home in **Charlotte, North Carolina, for one year.** This is the carbon equivalent of taking **336,791** cars off the road for one year!

We strive to reduce our impact on the environment by using natural resources responsibly and minimizing waste in all of our operations.



ENERGY/CARBON

TOTAL
RENEWABLE PRODUCTION
23 MILLION kWh
IN 2015



35%
*Energy Consumption
Reduction*
SINCE 2000



ENERGY/CARBON

HOW WE REDUCE ENERGY

New stores include any number of energy efficiency features, including LED lighting, variable speed drives, skylights with setback controls, anti-sweat heat control, distributed refrigeration systems, heat reclaim systems, nighttime lighting control, building and refrigeration control systems, motion sensors and high efficiency lamps and ballasts, as well as newer features including refrigeration case controls, digital scroll compressors, demand defrost and demand control ventilation.

Kroger utilizes the ENERGY STAR program to track and assess energy consumption across our retail locations. We can benchmark building energy performance, assess energy management goals over time, and identify strategic opportunities for savings. The Kroger families of stores have **696 ENERGY STAR Certified** store locations and 166 new stores have been "Designed to Earn" the certification.

We are proud of what we have accomplished thus far. This work earned Kroger the prestigious ENERGY STAR Partner of the Year Award in early 2015.

HOW WE IMPROVE IN OUR RETAIL STORES

Our nearly 431,000 associates are engaged in reducing energy consumption in the workplace in numerous ways. Their actions are as important as ever in making a real difference to help maintain and reinforce the basics like **FAST** (Food at Safe Temperatures)—an automated system of over 200 sensors per store to ensure our food safety program—to proper case stocking, closing doors, and monitoring case temperatures, as well as turning out lights and turning equipment off at night. All of which save energy. **Our goal is to build on our current energy savings and continue to reduce an additional 5% consumption by the end of 2020.**



Energy Star

"Kroger is a leading example of how businesses and organizations are incorporating ENERGY STAR into their sustainability programs," said EPA Administrator Gina McCarthy. "Kroger's role in energy management is helping reduce our nation's greenhouse gas emissions that fuel climate change and preserve a healthy planet for future generations."



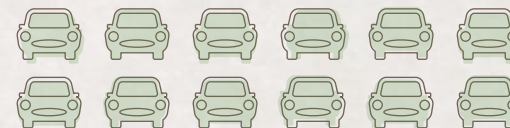
Datacenters

Over the past five plus years, the Kroger Technology group has driven energy efficiency in its datacenters through technology refreshes and facility improvements. These improvements include modernizing power and cooling systems to improve efficiency, monitoring and control, adopting new techniques for more efficient hot/cold air management, adding reflective roofing to reduce heat gain, consolidating and virtualizing server and storage equipment to reduce power demand.

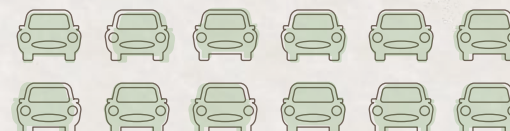
ENERGY/CARBON

2.32 BILLION
Kilowatt Hours

HAVE BEEN SAVED BY KROGER
GROCERY STORES SINCE 2000



CARBON EQUIVALENT OF TAKING
336,791 CARS*
OFF THE ROAD FOR ONE YEAR!



*per EPA GHG calculator

HOW WE IMPROVE IN OUR MANUFACTURING PLANTS

Kroger's manufacturing plants continue to make progress in reducing consumption of electricity and gas. Overall, they reduced enough electricity to annually power **1,000 American homes** and reduced enough gas to annually power **32,800 American homes**.

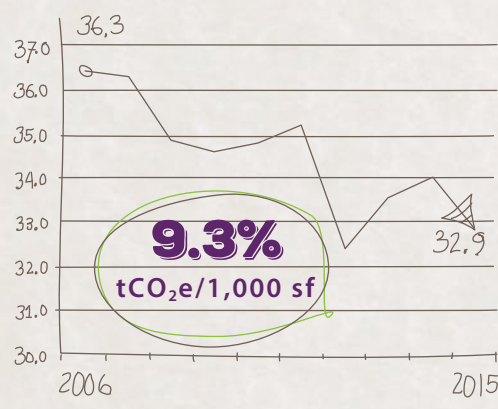
Ten of our plants were able to simultaneously reduce electricity, gas, and water. The manufacturing group is leveraging the ENERGY STAR program as part of their ongoing commitment to reduce energy. In 2015, 32 plants have formed energy teams who are charged with increasing awareness, monitoring progress and incorporating feedback into the process.



NORMALIZED

Carbon Footprint

(tons of CO₂e/1,000 sf.)



CARBON FOOTPRINT

In 2015, Kroger's total carbon footprint decreased by 3.8% as compared to 2014 (6.57 million metric tons of CO₂e).^{*} This can be primarily attributed to a significant decrease in store electricity usage and vehicle diesel fuel consumption.

Key accomplishments that helped Kroger reduce energy use include the extensive use of LED lighting in refrigerated cases and implementation of best practices for refrigeration, lighting and HVAC. For the transportation, we have enhanced our efforts in reducing miles driven and fuel usage, including a switch from traditional LNG (Liquefied Natural Gas) to renewable LNG in one of our fleets.

Emissions from refrigerants increased with 5.7% from 2014 to 2015, which was mainly a result of more comprehensive and accurate tracking of refrigerant charges within our divisions. Kroger joined U.S. EPA's GreenChill program in 2014. GreenChill is an EPA partnership program with food retailers to reduce refrigerant emissions and decrease their impact on the ozone layer and climate change. As a member we report on our refrigerant management progress and goals. 2016 goals include reductions in emissions and further testing of technologies that reduce initial system charges. Additionally, Kroger is committed to further investigation of the cost and efficacy of refrigerants with lower global warming potential (GWP).

Since 2006, we have been measuring and managing our total carbon footprint. Kroger has decreased our total normalized footprint by 9.3% (tCO₂e/1,000 sf).^{*}

Kroger is committed to continuing to seek ways to better manage and reduce refrigerant impact. We publicly report our carbon footprint to the Carbon Disclosure Project (CDP). This international organization records scope 1 (direct,

scope 2 (electricity indirect) and scope 3 (other indirect) greenhouse gas emissions measurements. Our total scope 1 and 2 carbon footprint for 2015 was 6,568,979 metric tons of carbon dioxide equivalent (tCO₂e). Reducing our carbon footprint remains an important pillar in Kroger's sustainability agenda. Kroger expanded our footprint in 2014 to include a partial scope 3 which includes company generated waste, employee commute and business travel. In 2015, these scope 3 sources totaled 1,350,902 tCO₂e.

^{*}For consistent tracking of emissions over time, 2006–2014 emissions have been recalculated to include the acquisition of Harris Teeter, a new division as of January 2014. Based on Harris Teeter's 2015 emissions and historical sales by year, 2006–2014 emissions were adjusted for growth and added to Kroger's footprint. This methodology is recommended by the Greenhouse Gas Protocol (<http://www.ghgprotocol.org/files/ghgp/public/ghg-protocol-revised.pdf>), the standard used to calculate Kroger's greenhouse gas inventory, in order to maintain consistency over time.





ENERGY/CARBON

RENEWABLE ENERGY

WIND

Kroger has two wind energy turbines located at the Turkey Hill Dairy in Lancaster, PA. Kroger's Turkey Hill Dairy purchases all of the wind energy produced from The Frey Farm Wind Turbine Project. For the fourth full year of operation, these turbines supply up to 25% of the dairy's annual electricity needs which will be enough power to produce six million gallons of ice cream and 15 million gallons of iced tea for one year.

SOLAR

Seven Kroger stores have approximately 815 kW of solar energy capacity that produces nearly 958,000 kWh per year. The Clackamas Distribution Center (DC) in Oregon was the first DC to install a photovoltaic system in December, 2011. It has a 500 kWh capacity, which continues to provide about 10% of the DC's power requirements.

Total solar production in 2015 was approximately **3.94 million kWh**.



Fry's PowerParasol

*In 2013, Fry's installed the first commercial application of the PowerParasol—a patent-pending solar energy and shade technology. This unique design shades our parking lot while producing renewable energy. In fact, the 580 kilowatt system covers 1.7 acres and generated nearly **850,000 kilowatt hours** of clean renewable energy. This test was successful and Fry's will be installing three more units.*

Utah Solar Array

*In 2014, Smith's Food & Drug Stores unveiled the 2nd largest rooftop mounted system in Utah at its main distribution center in Layton, Utah. The 1 megawatt AC solar photovoltaic (PV) rooftop system consists of 4,066 solar panels, which produced 1.67 million kilowatt hours of clean electricity last year and covers 1/4 of the energy usage of the distribution center. The new system establishes a guaranteed cost for approximately 20% to 25% of the total electricity for the grocery and freezer storage operations over the next 20 years. The project is in partnership with Rocky Mountain Power. Smith's Layton Distribution Center will **reduce energy production needs by 20–25% per year**.*





ENERGY/CARBON

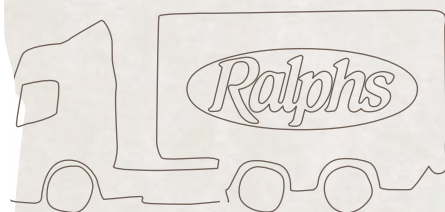


~365 STORES

BACKHAUL FOOD
(THAT CAN'T BE DONATED)

TO

**DISTRIBUTION
CENTER**



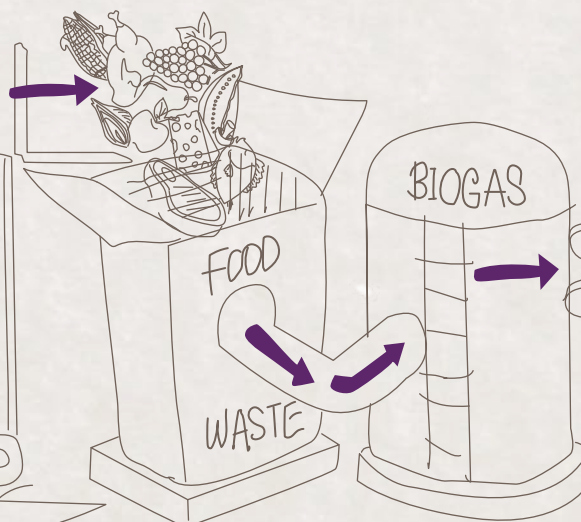
**150
TONS/DAY**
46,500
ANNUALLY



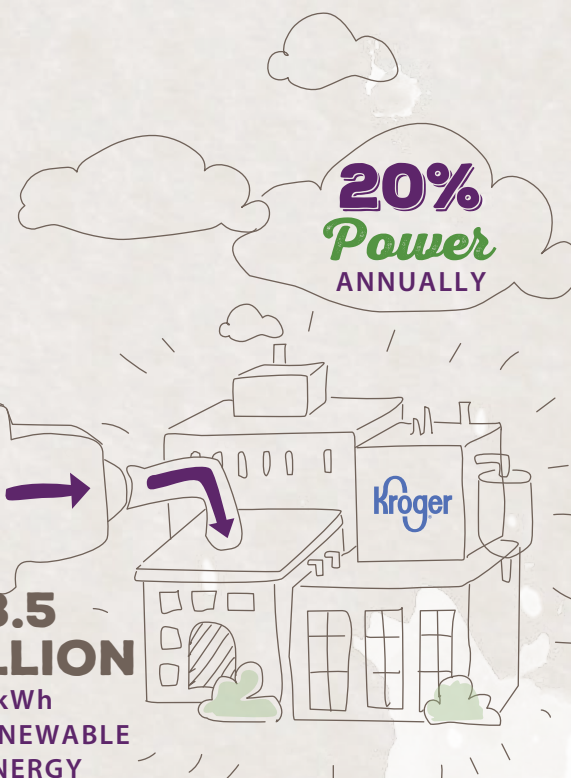
FOOD POWER

The Kroger Recovery System, located in Compton, CA at the Ralph's/Food 4 Less distribution center has been in operation since 2013. It utilizes anaerobic digestion, a naturally occurring process, to transform food waste into renewable biogas. It has an annual capacity to process **46,500 tons** of food waste. (In this circumstance, food waste is food which cannot be sold or donated as well as on-site dairy processing effluent.) This biogas is then turned into power for onsite operations. The process is carried out in an enclosed, oxygen-free environment, which means the process takes up less space and

generates no odors. The system provided **3.5 million kWh** of renewable energy for the 650,000 square foot Ralph's/Food 4 Less distribution center. The system reduces area truck trips by more than 500,000 miles each year and reduces waste costs by \$4.5 million dollars. These efforts are estimated to reduce carbon emissions by an estimated 90,000 tons per year. This system inspired the strategic collaboration between the dairy industry and Kroger. See page 38.



**3.5
MILLION**
kWh
OF RENEWABLE
ENERGY





WATER

MANUFACTURING PLANTS

Our manufacturing plants continue to focus on reducing their use of water. As a result, the manufacturing group was able to save **16 million gallons** of water in 2015, which is **equivalent to the yearly water usage of 110 American homes**. This was accomplished through a focused effort using a variety of approaches including: better understanding of water flow, recycling water on pre-rinse, recirculating cooling water, improving rinse systems, replacing inefficient equipment, reprocessing rejected water from reverse osmosis plants, reducing water leaks, and improving condensate return systems. Many water conservation techniques can be linked directly to reduced energy consumption, resulting in even greater cost savings and reduced use of this natural resource.



RETAIL STORES

We continue to seek water reduction opportunities in our retail locations. In response to severe drought conditions in California, Ralph's division has been implementing "smart" controllers on their water-cooled refrigeration condensers to reduce water consumption since the beginning of 2015. This, in tandem with their Stop the Drop awareness campaign, has resulted in an approximately 5% water savings across their division. Water waste can be a significant portion of water consumption, and these efforts target some of the biggest culprits such as cooling, landscape watering, and cleaning.



Protecting Water Quality During Construction

Working together with local and state agencies, Kroger is reducing and containing sediment and eliminating pollution on our construction sites through our comprehensive National Storm Water Pollution Prevention Program (SWPPP) program. Kroger works to meet or exceed all permit requirements through a consistent approach with corporate led pre-construction SWPPP meetings, site visits, and internal audit procedures. Kroger also carefully monitors site SWPPP inspection. We ensure transparency and real-time accountability utilizing a web-based system to track weekly/rain event inspections and action items on construction sites. In 2015, over 5,000 site inspections were tracked with an additional 2,000 inspection audits performed by internal Kroger project managers on active sites. Ensuring proper BMPs (Best Management Practices) are in place and operating as required, helps Kroger protect streams, rivers, lakes, and water supplies fed by storm water.



1,190
STORES RECYCLING
ORGANICS

Moving our facilities toward “zero waste” is one of Kroger’s key sustainability priorities.

ZERO WASTE

Moving our facilities toward “zero waste” is one of Kroger’s key sustainability priorities. In 2015, we continued to move the needle in our waste reduction initiatives and continued to look for new ways to improve our business practices. Whether it is diverting waste from landfills, reducing our packaging, recycling plastic bags, or donating safe, perishable foods to food banks, we are increasing recycling rates and finding cost-effective and responsible alternatives for our waste.

Several years ago, Kroger joined the EPA’s Waste Wise Program and adopted the EPA’s “zero waste” definition for our company-wide sustainability efforts. This nationally recognized program provides a tool to benchmark, measure and communicate our efforts in a more consistent and cohesive way. It also allows us to track individual waste streams, track our progress over time and identify additional opportunities for waste reduction. Our goal is to meet and exceed the EPA’s zero waste threshold of 90%, in all our facilities.



ZERO WASTE

ZERO WASTE

FOOD RECOVERY

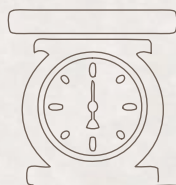
SOURCE REDUCTION

106 MILLION

REUSABLE PLASTIC CONTAINERS



FEED HUNGRY
PEOPLE



56 MILLION
POUNDS OF FOOD DONATED
(FROM STORES)

FEED
ANIMALS



INDUSTRIAL
USES

158,000 TONS
RECYCLED

COMPOSTING

IN 2015
(PLANTS & STORES)



FOOD
WASTE
RECYCLED

FOOD WASTE

Our customers trust Kroger to deliver safe, fresh, high-quality foods and sometimes excess food is generated. As a large food retailer and manufacturer, we are uniquely positioned to responsibly reduce and manage this surplus. We use the EPA's food waste hierarchy to provide a framework in determining the best or "highest value" of our food waste.

STRIVING FOR ZERO WASTE IN OUR RETAIL LOCATIONS

In 2015, we expanded the enterprise-wide waste diversion initiative in all grocery stores. With a focus on food waste diversion, Kroger increased the amount of perishable foods donated as well as expanded recycling initiatives. Kroger was able to increase the number of participating food waste recycling locations to 1,190. A combination of composting, anaerobic digestion and animal feed programs are utilized.



31 OF OUR 33
PLANTS ARE
ZERO WASTE

49.3%

Waste Reduction

SINCE 2014



ZERO WASTE

ZERO WASTE IN FOOD MANUFACTURING PLANTS

In 2015, **31 of our 33** corporately managed manufacturing plants were designated as “zero waste” facilities. In 2015, our manufacturing plants reduced the amount of waste sent to landfill by **7.5 million pounds**. That’s a 49.3% waste reduction from 2014. Additionally, these plants recycled more than **350 million pounds of material**.

HAZARDOUS WASTE

The Kroger Environmental Compliance organization is constantly working to implement simpler processes for our stores to handle and dispose of unsalable hazardous products in a lawful and responsible manner. In the past, we have used hazardous waste vendors to remove these materials from our stores and pharmacies and ensure they are destroyed legally (e.g., landfilled, incinerated). Additionally, we have been working with an innovative recycling company that designs customized mail-back programs to recycle and reuse commercial chemical products that would otherwise have to be destroyed. The hazardous products recycling program offers Kroger a more sustainable approach to responsibly handling consumer chemical products. Over the past year and a half, we have worked with this recycling partner on several successful recycling programs resulting in almost 12 tons of aerosol cans, over 650 pounds of nicotine smoking cessation products and over 1,300 pounds of fluorescent lamps being recycled for Kroger by our recycling partner. With the success of these programs, Kroger continues to

look for opportunities to recycle more of its unsalable consumer products.

PACKAGING DESIGN

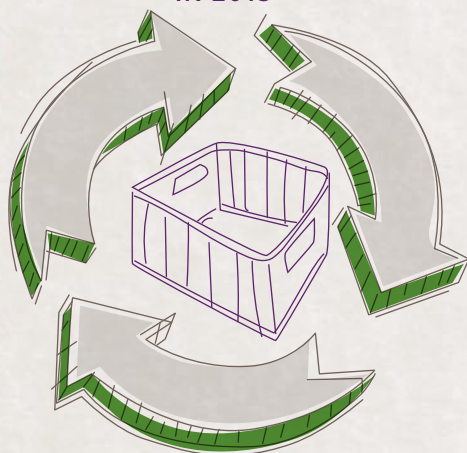
Packaging our corporate brand products more efficiently is another way Kroger is working to reduce waste. Our packaging engineers continue to seek new and innovative ways to reduce the packaging for these products. In the summer of 2016, Kroger will test a new lightweight milk jug. This milk jug is still made of the same 100% recyclable high density polyethylene as our current jugs. But the unique design allows us to use about 10% less plastic while still getting the same great performance we get from our current jugs. This new lightweight container will be initially rolled out at our Westover Dairy in Lynchburg, Virginia which serves our Mid-Atlantic region. The national rollout will continue to our other dairies throughout 2017. Once fully implemented, this jug is expected to save over 5 million pounds of plastic per year.





106 MILLION REUSABLE PLASTIC CONTAINERS REUSED IN OUR DISTRIBUTION NETWORK

IN 2015



CIRCULAR ECONOMY

Circular economy is a term more and more experts are using to describe an industrial economy that runs on renewable energy and produces zero waste and no pollution. It is an alternative to the traditional linear economy that best describes current widespread business models as, take-make-dispose. In the evolving circular model the goal is to reuse products for as long as possible.

Kroger partners with CHEP and IFCO, which both contribute to global sustainability through their “shared” business models of pooled pallets, bulk containers and reusable plastic containers (RPCs). These packaging solutions bring both operational efficiencies and environmental benefits. Compared with one-way packaging, reusable platforms and containers offer a lower carbon footprint, reduced water consumption and less waste.

INCREASING OUR USE OF REUSABLE PLASTIC CONTAINERS (RPCs)

In 2015, we shipped **106 million RPCs** of fresh produce to our stores. RPCs improve product quality and significantly reduce waste. We continue to increase our volume of fresh produce shipped in reusable plastic containers (RPCs). Examples of items currently shipped this way include: green onions, radishes, lettuce, grapes, tomatoes, avocados, corn, beans, carrots, cabbage, cauliflower, oranges, grapefruit, lemons, eggs and celery. We estimate that the total use of RPCs last year eliminated the use of more than **73,500 tons of waxed and corrugated boxes**.

ZERO WASTE

RECYCLED CARDBOARD

In 2015, Kroger stores, manufacturing plants, and distribution facilities recycled more than **1.3 billion pounds** of corrugated cardboard and paper. Corrugate is a revenue stream for Kroger. We still have an opportunity to capture and recycle even more to help offset waste costs.

DIGITAL COUPONS REDUCE PAPER WASTE

In 2015, we celebrated the 3 billionth download of digital coupons. Not only is it more convenient for our customers, but the tactic also reduces paper waste! By going digital, we saved the equivalent of 240,000 trees or the equivalent of 11.4 trips around the equator if you lined up 3 billion paper coupons lengthwise.

ENCOURAGING CUSTOMERS TO RECYCLE

We continue to drive our in-store plastic bag recycling program with associates and customers. In 2015, this program recycled 38 million pounds of plastic from our stores and distribution centers. We also redesigned the bins and will be expanding what we accept so that we can further increase the amount of plastic that is recycled. We are also placing recycling arrows on corporate branded bread bags so customers know they can recycle them in-store as well.

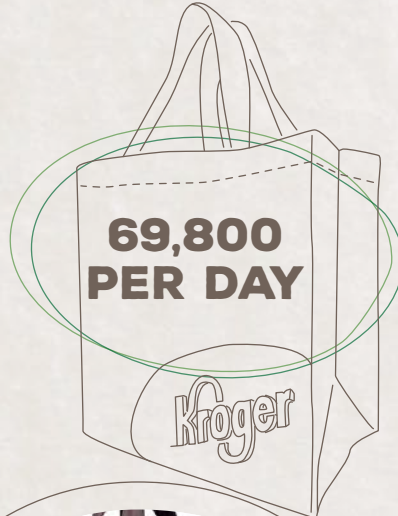
WHAT CAN YOU DO TO HELP?

Most residential curbside recycling programs will not accept plastic wrap material. However, Kroger partners with vendors who want this material to recycle into products such as new recycled plastic bags, landscape materials and plastic composite lumber. Customers can recycle this material via the plastic bag recycling barrels located in stores.



ZERO WASTE

25.5
Million Reusable
BAGS SOLD IN 2015



38
MILLION
POUNDS
IN 2015



RECYCLING

238
MILLION
Pounds

OF PLASTIC SINCE 2008





Construction Zero Waste

After Kroger acquired a new store site (A-968) that had several existing houses on it, one of our store planners, wondered if there was a way we could positively impact the community and the environment before demolishing them. Collaboration between Kroger and the Habitat for Humanity ReStore Director, they were able to pull useable items from those houses and donated them to the Habitat's ReStore before the houses were demolished. Habitat brought in team of 8 people to salvage items from the houses: everything from interior and exterior doors, cabinets, ceiling mounted fans, light fixtures, shower heads, furniture, garage door openers, miscellaneous hardware. The profits from those sales will fund future Habitat projects. Not only did this extra effort benefit the Cincinnati community, it also contributed to Kroger's zero waste program by eliminating 1.3 tons of materials that otherwise would have been sent to a landfill.

ZERO WASTE

MOVING TOWARD ZERO WASTE IN CONSTRUCTION

Our construction team continued to implement zero waste programs for remodels, expansions, and new stores. In 2015, 138 projects recycled items such as wood, metal, cardboard, concrete brick, and plastic. Over 130,000 tons were diverted. Fifty of these projects met the EPA zero waste goal of diverting 90% or more from the landfill. Since we started this initiative in 2013, we've diverted more than 270,000 tons from the landfill.

The goal for 2016 is to have 50% of our zero waste projects reach 90% or greater diversion from the landfill.

REDUCING PLASTIC BAG USE AND INCREASING USE OF REUSABLE BAGS

The Kroger family of stores continues to help customers reduce plastic bag use and transition to reusable bags. In fact, we have saved over **1 billion plastic bags** from being used since 2008 through better bagging practices by our associates and by our customers using more reusable bags.

Our stores encourage customers to change their habits by offering a wide variety of reusable bags. Last year, we sold an incredible **25.5 million reusable bags—an average of 69,800 reusable shopping bags per day.**

Additionally, many parking lots at our Kroger family of stores have signage on the cart corrals that reminds our customers to bring their reusable bags into our stores. Simple reminders, such as these cart corral signs, can

further reduce plastic bag waste and encourage customers to change their shopping habits.

INFLUENCING THE LANDSCAPE

Kroger plays a leadership role in the Food Waste Reduction Alliance (FWRA), a joint industry effort with the Grocery Manufacturing Association, the Food Marketing Institute and the National Restaurant Association. The FWRA consists of more than 30 corporate members. The FWRA aims to reduce the amount of food waste generated, increase the amount of safe, nutritious food donated to those in need, and recycle unavoidable food waste, diverting it from landfills. We seek to share best practices, find new solutions and work collaboratively to create ways to have greater, collective impact.





Our logistics team is the foundation of our supply network and is responsible for moving several million products through 36 Distribution Centers (DCs) to our more than 2,700 stores, each and every day.

LOGISTICS

Our logistics team is the foundation of our supply network and is responsible for moving several million products through 36 Distribution Centers (DCs) to our more than 2,700 stores, each and every day.

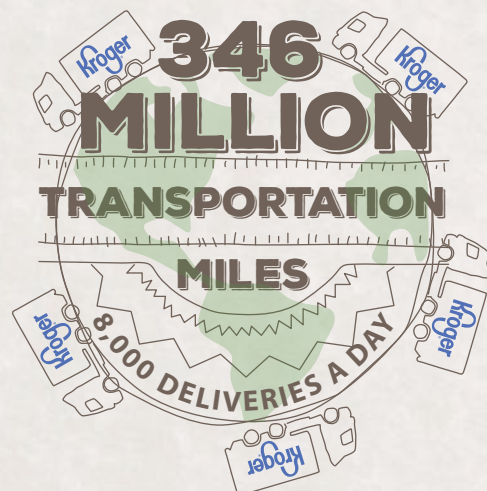
In order to meet the needs of our 8.5 million daily customers, Kroger relies on a fleet of 3,200 tractors and 12,000 trailers. These trucks average 8,000 deliveries every day. In 2015, that meant driving the equivalent of 346 million miles across the U.S. Another way of looking at it, we drove around the earth nearly 14,000 times!

Kroger owns 70% of our tractors and 40% of our trailers. The remaining demand is met by dedicated contract carriers.

We traditionally measured our success in transportation efficiency by cases shipped per gallon used. We made a goal of improving our fleet efficiency by 40% in 2015 over our 2008 baseline. We're proud to say that we not only met, but exceeded our goal and achieved a 51% improvement in cases shipped per gallon!

In 2015, we increased our truck capacity, defined as cube per load, by 0.86% compared to 2014. Our goal for 2015 was to improve our truck capacity by 15% compared to our 2008 baseline. We improved 13%, just shy of our goal. Although we didn't quite meet our objective, we are extremely proud of our accomplishments. Getting more groceries on the same size trailer year over year is no small feat.

Also in 2015, we increased our miles per gallon by 0.52%. Every year, Kroger continues to replace 10–15% of its older tractors and trailers with new, more fuel efficient tractors and trailers. Through these various strategies, we have improved mpg by 6.50% since 2008.



THAT'S LIKE DRIVING
14,000
times around
 THE WORLD



LOGISTICS

Because groceries are so heavy, tracking miles per gallon is often not a clear picture of how a fleet is performing. Heavy trucks have to work harder, causing them to use more fuel. In turn, Kroger is setting a new Fleet Efficiency standard as we enter a new goal phase.

Moving forward, we will be tracking our Ton Miles Per Gallon (TMPG), effectively looking at how many miles we haul one ton of groceries on one gallon of fuel. Kroger Logistics is committed to improving our TMPG by 20% by 2020. We will also be changing our baseline year from 2008 to 2010 to more closely align with other areas of The Kroger Company.

RENEWABLE Liquefied Natural Gas Tractors

In 2014, our Logistics Team was the first in the state of Oregon to deploy a fleet of heavy-duty trucks that run on Liquid Natural Gas (LNG). The 31 LNG trucks replaced 31 diesel trucks and started making store deliveries in the Portland metropolitan area at the end of 2014. The trucks make deliveries to roughly 50 Fred Meyer and QFC stores as far south as Corvallis, OR, and as far north as Longview, WA, averaging approximately 175 miles per day, six days a week, 52 weeks a year.

In December 2015, Kroger was able to secure renewable natural gas fuel. We expect to reduce greenhouse gas emissions by 73% over the diesel trucks we were driving in the Northwest. This will result in approximately 2,000 metric tons per year, which equates to taking 485 passenger cars off the road annually. The fleet is fueled at a new, private LNG fueling station located at Kroger's Clackamas Distribution Center.

SMARTWAY

Since 2008, Kroger has participated in the U.S. Environmental Protection Agency's SmartWay program. The program is a voluntary, public-private partnership that helps companies like Kroger improve their transportation supply chains by using a consistent set of EPA-tested tools

to make informed transportation choices. The tools allow us to measure, benchmark and report our carbon emissions each year. Kroger not only utilizes the SmartWay tools for its owned and operated fleet, but in every aspect of our logistics operations—inbound and outbound, local to regional. In 2015, 86% of the miles our groceries traveled were driven on SmartWay certified tractors.



LOGISTICS

ZERO WASTE

Moving our logistic facilities toward “zero waste” is one of Kroger’s key sustainability priorities. In 2016, logistics is launching a program to achieve zero waste at all 36 distribution centers by 2020. Three primary components of logistics’ zero waste initiative will be focused on keeping cardboard, plastic and food out of the waste stream.

WATER INITIATIVE

In 2009, Kroger implemented a program at our distribution centers using Six Sigma principles to reduce water and chemical usage at our refrigerated sites. The program included the addition of real-time cloud-based reporting and control. As a result of this initiative Kroger has reduced its water consumption at 18 of its distribution centers by **56 million gallons per year**, the equivalent of 383 American households.

The goal is to achieve 10% water usage reduction at all sites. Water and sewer usage has declined at 14 sites. Water usage has been reduced by 11.6% from 2009 levels, and sewer usage has been reduced by 18.5% from 2009 levels. The overall cost of water and sewer has increased by 24% since 2009; however based on gallons saved, the calculated savings to date is over \$240,000.

FLEET

PRODUCTIVITY

*Improved
more than*

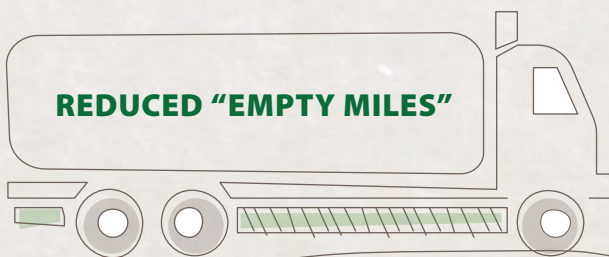
51%

SINCE 2008

CUBE EFFICIENCY



REDUCED “EMPTY MILES”



INCREASED
MILES PER GALLON



Economic Impact to Communities

Economic





\$3.3

BILLION IN CAPITAL
PROJECTS

The Kroger Co. is the largest traditional grocery retailer in the United States based on annual sales of more than \$109.4 billion and is #17 on the Fortune 500 listing of the largest U.S. corporations.

ECONOMIC IMPACT TO COMMUNITIES

The Kroger Co. is the largest traditional grocery retailer in the United States based on annual sales of more than \$109.4 billion and is #17 on the Fortune 500 listing of the largest U.S. corporations. We employ nearly 431,000 associates. Kroger operates 2,778 grocery stores in 35 states, as well as 784 convenience stores and 323 jewelry stores. The company is the fifth-largest pharmacy operator in the United States and operates 188 in-store, walk-in medical clinics in nine states through our wholly-owned subsidiary "The Little Clinic." We are the largest florist in the world.

In addition to being the third largest retailer in the world, Kroger is a large food manufacturer. The company's 37 manufacturing plants produce about 40% of the corporate brand units sold in our stores.

We help customers save on fuel through our 1,387 retail fuel centers, and 784 convenience stores. Where allowed by local laws, Kroger is able to offer discounts of up to \$1.00 per gallon to loyal shoppers who purchase items in our stores.

The Kroger Co. has a positive impact on the communities in which we operate. In 2015, we created 9,000 new jobs and spent over \$3.3 billion on capital projects. These included new stores, remodels, technology upgrades, and logistics innovations. Many of these projects add money

into local economies, creating additional jobs and opportunities both at Kroger and at our partner companies.

Our shareholders are rewarded for our success, too. In 2015, we paid more than \$1.1 billion to shareholders through dividends and stock buybacks.

Customers trust us each and every day to help feed their families and we are grateful for that trust. We're proud to be part of your neighborhood and we will continue to use our resources to reinvest in our communities, associates, shareholders, and customers.



HQ ECONOMIC IMPACT TO COMMUNITIES

**\$1.25
MILLION**

TO
UNITED WAY OF
GREATER CINCINNATI

**\$2.7
MILLION**

DIRECTED TO
LOCAL CINCINNATI NONPROFITS
THROUGH
COMMUNITY REWARDS

Kroger

**9,910
jobs**

IN GREATER CINCINNATI
& NORTHERN KENTUCKY





431K
ASSOCIATES

Kroger is committed to dealing in an ethical manner with our customers, suppliers, associates and shareholders.

BUSINESS ETHICS

We hold ourselves to the highest ethical standards because we understand that, as a publicly-owned company and as providers of food for millions of Americans and their families, we have a special obligation to go beyond simple compliance.

Kroger is committed to dealing in an ethical manner with our customers, suppliers, associates and shareholders. We believe our reputation is something we earn every day and is a direct result of the actions and efforts of our 431,000 associates. Each of us must adhere to the highest moral, ethical and legal standards. We demonstrate in our dealings with customers, suppliers and each other Kroger's core values of honesty, respect, integrity, diversity, inclusion and safety. Only by conducting business in this manner can Kroger continue its success.

Kroger's Business Ethics Policy clearly outlines what we expect from our associates and members of Kroger's Board of Directors.

It can be viewed on <http://www.thekrogerco.com/> under News Room then Statements & Policies. Copies are shared with associates and are posted on the company's internal and external websites.



CORPORATE GOVERNANCE

The Kroger Co. is committed to upholding high standards of corporate governance. Importantly, one of our five Board Committees is the Corporate Governance Committee. Primarily, this Committee establishes and reviews the practices, policies, and procedures by which our Board performs, identifies qualified Board members, and develops and recommends corporate governance principles to the Board. Our “Guidelines on Issues of Corporate Governance” reflects our approach to governance and we invite you to review these guidelines at www.thekrogerco.com.



Kroger is a leader in transparency regarding political contributions.

GOVERNMENT INVOLVEMENT

Because we are one of the world's largest retailers, we actively participate in forming and shaping federal, state and local public policy when it impacts our business. We do this through our own associates who are Public Affairs leaders and through our lobbyists, trade associations and coalition partners. In all cases, we follow the laws and regulations governing advocacy and we choose to advocate only in cases where we believe the issue could have a significant impact to our business.

Kroger is a leader in transparency regarding political contributions. Several years ago, Kroger began voluntarily disclosing our political contributions, both corporately and through PACs via our website. We have added a listing of the major trade associations we belong to, and beginning with the 2012 calendar year, we included the amount of our contribution to these associations that is directed toward political activity. Kroger does not run direct advertisements in support of or opposition to specific candidates and we meet or exceed all laws governing political contribution disclosure.

Customers who are interested in viewing our political contribution policy and report can visit www.thekrogerco.com.

2015 AWARDS

Kroger ranked 20th on the 500 Largest U.S. Corporations By *Fortune*

2015 Sponsor of the Year—*Cystic Fibrosis Foundation of TN*

Champion of Diversity Award—*American Arab Professionals Network*

2015 Step Out Champion—*ADA*

Kroger Received Ohio's *Champion of Opportunity Award for 2015*

Smith's was awarded the Outstanding Corporation Award in 2015—*Association of Professional Fundraisers in Las Vegas at the National Philanthropy Day event*

Smith's was a 2015 Green Business Honoree—*Utah Business Magazine*

Smith's received the Angel award for community support and corporate philanthropy—*Greenspun Media*

Kroger was awarded the Champion of Opportunity Award—*Opportunities for Ohioans with Disabilities*

Kroger was awarded a Three Star Award for outstanding service and community outreach—*Town of Farragut*

100 Most Influential Women awarded to Jayne Homco, President of the Kroger Co. of Michigan—*Crain's Detroit Business*

Forgotten Harvest, Gather of Plenty Award—*Forgotten Harvest*

Outstanding Corporation Award—*Philanthropy Association of Fundraising Professionals (AFP)*

Kroger's Atlanta Division Public Relations Director Glynn Jenkins, receives Promise Award—*Susan G. Komen (Atlanta Affiliate)*

Kroger's Atlanta Division Customer Communications Manager Lori Smith received the Leadership Achievement Award—*Atlanta Chapter Network of Executive Women*

Kroger's Atlanta Division presented with Community Supporter Award—*Goodwill of North Georgia*

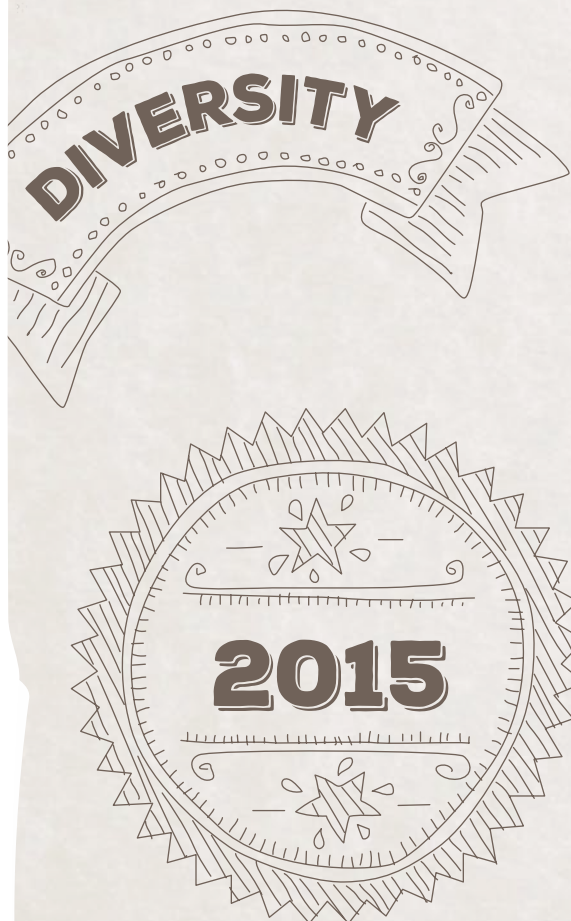
Kroger Atlanta Division Food Safety Manager Among Elite Class of "Georgia Grown Executive Chefs"—*Georgia Department of Agriculture*

Chef Yolanda Chatman named finalist to compete in the *Food Marketing Institute (FMI) 2015 Supermarket Chef Showdown*

Kroger Co.'s Louisville Division was recognized with the 2015 Community Service Award—*Bluegrass Academy of Nutrition and Dietetics*

Kroger Co.'s Louisville Division Recognized with the 2015 Champion Award—*Louisville Business First CRE Commercial Real Estate*

Kroger Co.'s Louisville Division Store 913 Pharmacy was recognized as Best Pharmacy—*Anderson News*



2015 AWARDS



Kroger Co.'s Louisville Division was recognized with the 2015 BOOM Award for Excellence in Training and Development—*The Jeffersontown Board*

Kroger Co.'s Louisville Division recognized with the 2015 Christmas Season Award—*Salvation Army*

Kroger Co.'s Louisville Division recognized with the 2015 Community Partner Award for Feeding Hungry Families—*Salvation Army*

Kroger Co.'s Louisville Division recognized with the 2015 #1 Grocery Chain Retailer of the Year Award—*Kentucky Lottery*

Ralphs and Food 4 Less awarded the "Presenting Sponsor" award—*Hope for Fire Fighters Event benefitting the Widows, Orphans & Disabled Fireman's Fund of Los Angeles*

Food 4 Less #517 Coachella, CA awarded "2015 Outstanding Supporter"—*The City of Hope Desert Communities Women's Council*

Ralphs #222 Sherman Oaks, CA recognized as the "Sherman Oaks Chamber of Commerce 2015 Business of the Year"

Ralphs #648 Burbank, CA recognized by the Campbell Center (Glendale, CA), an organization that provides services to developmentally disabled individuals, for "Supporting Employment for Adults with Developmental Disabilities"

Kroger Co.'s Southwest division recognized with the 2015 Corporate Hispanic Business Advocate of the Year Award *Texas Association of Mexican American Chambers of Commerce*

Kroger was named Partner of the Year—*Environmental Protection Agency*

Kroger was named one of America's Top Corporations for Women's Business Enterprises—*Women's Business Enterprise National Council*

Kroger was named Recycler of the Year—*Armstrong Commercial Flooring*

34 Kroger leaders were named Top Women in Grocery—*Progressive Grocer*

Kroger Co.'s Atlanta Division was recognized as the Economic Development Project of the Year—*Municipal Association of South Carolina*

Kroger Co.'s Columbus division was recognized with the "Platinum Level Award"—*US Environmental Protection Agency GreenChill Partnership*

Kroger Co.'s Columbus division's Bill Sheridan was recognized with the lifetime achievement Beal Award—*Ohio Pharmacists Association*

Kroger Co.'s Columbus division's Steve Burson was recognized with the Keys Award—*Ohio Pharmacists Association*

2015 AWARDS



Kroger Co.'s Columbus division's Justin Friesner was recognized with the Generation Rx Award—*Ohio Pharmacists Association*

Kroger Co.'s Columbus division's Bruce Macaulay and Cheryl McCormick were recognized with the Buckeye Promise Award—*JDRF Mid-Ohio*

Kroger Co.'s Louisville Division was recognized with the 2015 Community Service Award—*Bluegrass Academy of Nutrition and Dietetics*

Kroger Co.'s Mid-Atlantic division was recognized with the Best Supermarket Award—*Style Weekly*

Kroger Co.'s Mid-Atlantic division was recognized with the Best Place to Buy Beer and Wine Award—*Style Weekly*

Kroger Co.'s Ralph's division was recognized with the Leadership Award—*Orthodox Union*

Kroger Co.'s Southwest division was named the Best Grocery Store—*The Greater Irving-Las Colinas Chamber of Commerce*

Kroger Co.'s Southwest division was recognized as the Corporate Volunteer Group of the Year—*Greater Houston Service Awards*



2016 AWARDS TO DATE



Kroger recognized in the 2016 Green Rankings by *Newsweek*

Kroger ranked 17th on the 500 Largest U.S. Corporations by *FORTUNE*

Kroger received an A+ rating for consumer likeability—*The Morning Consult Brand Index*

Kroger honored by Rainforest Alliance's inaugural Supply Chain Partnership Award—*Rainforest Alliance*

Foods Co. #534 Oakland, CA presented "2016 Alameda County Stop Waste Business Efficiency Award" in recognition of its Perishable Donation Partnership program, which resulted in more than 67,700 pounds of edible food being donated to the Alameda County Community Food Bank in 2015

2016 Harvester of Hope Award—*Second Harvest Food Bank of Middle Tennessee*

Kroger Co.'s Louisville division recognized as a 2016 Step Out: Walk to Stop Diabetes Presenting Sponsor—*American Diabetes Association*

Ralphs and Food 4 Less awarded the 2016 "Angels of Hope"—*Susan G. Komen for the Cure Los Angeles*

Kroger Mid-Atlantic division was recognized as a Top 50 Employer—*Richmond Times-Dispatch*

Kroger Mid-Atlantic division was recognized with the Best Supermarket Award—*Style Weekly*

Kroger Mid-Atlantic division Received Best Grocery Store—*Richmond Magazine*

Kroger Mid-Atlantic Store 343 received the Champions of Disability Employment Regional Award

Kroger Mid-Atlantic division won the Campaign Chair Award—*United Way of the Roanoke Valley*

Kroger Mid-Atlantic division received a certificate of recognition from the Ohio Department of Developmental Disabilities (in recognition of participation in the 2016 State of the State Celebration and supporting people with developmental disabilities)

Kroger Mid-Atlantic division received the 2016 Ladies Choice Award—*Tidewater Women Magazine*

2016 Harvester of Hope Award—*Second Harvest Food Bank of Middle Tennessee*



GRI CONTENT INDEX

GRI Element	Description	Report Location	Reported
	Profile		
	Strategy & Analysis		
1.1	Statement from the most senior decision-maker of the organization	Page 3	Fully
	Organizational Profile		
2.1	Name of the organization	Front cover	Fully
2.2	Primary brands, products, and/or services	Pages 7–51 of http://eproxymaterials.com/interactive/kr2015factbook/	Fully
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures	Pages 7–51 of http://eproxymaterials.com/interactive/kr2015factbook/	Fully
2.4	Location of organization's headquarters	Page 7 of http://eproxymaterials.com/interactive/kr2015factbook/	Fully
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	Page 7 of http://eproxymaterials.com/interactive/kr2015factbook/	Fully
2.6	Nature of ownership and legal form	Page 7 of http://eproxymaterials.com/interactive/kr2015factbook/	Fully
2.7	Markets served (including geographic breakdown, sectors served and types of customers/beneficiaries)	Pages 8–19 of http://eproxymaterials.com/interactive/kr2015factbook/	Fully
2.8	Scale of the reporting organization, including: number of employees; net sales (net revenues for public sector organizations); quantity of products or services provided; total assets; beneficial ownership; breakdown by country/region	Pages 7, 8–19 of http://eproxymaterials.com/interactive/kr2015factbook/	Fully
2.9	Significant changes during the reporting period regarding size, structure, or ownership	Harris Teeter was included. Roundy's was acquired, but not included.	Fully
2.10	Awards received in the reporting period	Pages 75–78	Fully
	Report Parameters		
	REPORT PROFILE		
3.1	Reporting period (fiscal/calendar year for information provided)	Page 2	Fully
3.2	Date of most recent previous report	June 2016	Fully
3.3	Reporting cycle (annual)	Annual	Fully
3.4	Contact point for questions regarding the report or its contents	Jessica Adelman, Group Vice President Corporate Affairs 1014 Vine Street, Cincinnati, OH 45202	Fully
3.5	Process for defining report content, including: determining materiality; prioritizing topics within the report; and identifying stakeholders the organization expects to use the report	Kroger's Sustainability Leadership committee meets regularly throughout the year to set priorities and share best practices within the organization. This group helps to determine the scope of the Sustainability report. We also conduct a survey of key internal sustainability stakeholders to determine which issues, metrics and progress to highlight in the annual report. We share the report publicly on our website and in various settings with a variety of external stakeholders.	Fully

GRI CONTENT INDEX

GRI Element	Description	Report Location	Reported
Profile			
REPORT SCOPE AND BOUNDARY			
3.6	Boundary of the report (countries, divisions, subsidiaries, leased facilities, joint ventures-, suppliers)	Page 2 of this report and page 8 of http://eproxymaterials.com/interactive/kr2015factbook/	Fully
3.7	State any specific limitations on the scope or boundary of the report	Page 2 (Contents)	Fully
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	Not applicable	Fully
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (mergers, measurement methods, etc.)	No re-statements have been made regarding information in earlier reports.	Fully
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	For consistent tracking of emissions over time, 2006–2014 emissions have been recalculated to include the acquisition of Harris Teeter, a new division as of January 2014. Based on Harris Teeter's 2015 emissions and historical sales by year, 2006–2014 emissions were adjusted for growth and added to Kroger's footprint. This methodology is recommended by the Greenhouse Gas Protocol, the standard used to calculate Kroger's greenhouse gas inventory, in order to maintain consistency over time.	Fully
3.12	Table identifying the location of the Standard Disclosures in the report	Pages 79– 81 of this report	Fully
Governance, Commitments, and Engagement			
GOVERNANCE			
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight	Page 1–21 of http://www.thekrogerco.com/docs/default-document-library/guidelinesissues.pdf	Fully
4.2	Indicate whether the Chair of the highest governance body is also an executive officer (and if so, explain their function within the organization's management and reasons for this arrangement)	Page 2 of http://www.thekrogerco.com/docs/default-document-library/guidelinesissues.pdf	Fully
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members. (State how the organization defines "independent" and "non-executive")	Pages 2–9 of http://www.thekrogerco.com/docs/default-document-library/guidelinesissues.pdf	Fully
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	Pages 15–21 of http://www.thekrogerco.com/docs/default-document-library/guidelinesissues.pdf	Fully
4.14	List of stakeholder groups engaged by the organization. (e.g., communities, civil society, customers, shareholders and providers of capital, suppliers, employees, other workers and their trade unions)	Kroger is proud of its reputation as a leader in local communities. We strive to give back to the communities where we operate and we believe that we can play a positive role in the success of our communities. As such, we regularly engage with local community groups, local governments, non-governmental organizations, and other important local associations. We listen carefully to the needs of our communities. There are hundreds of organizations that we regularly interact with and seek feedback from. This includes customers, associates, trade unions, shareholders, community groups and non-governmental organizations. It also includes governments, church groups and neighborhood organizations.	Fully
4.15	Basis for identification and selection of stakeholders with whom to engage. (organization's process for defining stakeholder groups, and with whom to engage and not engage with)	We live by the strategy of "Customer First" and a key component of that is listening to our customers. We do not have a formal process for determining which groups to engage with; however, we seek to listen to all opinions and perspectives and choose to work with reputable groups with proven records or innovative ideas.	

GRI CONTENT INDEX

GRI Element	Description	Report Location	Reported
Profile			
Performance Indicators			
ECONOMIC			
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings and payments to capital providers and governments	Pages 6–15 in this report pages A-2–A-76 for full disclosure in Annual Report: http://eproxymaterials.com/interactive/kr2015/	Fully
ENVIRONMENT			
EN3	Direct energy consumption by primary energy source	7,734,010 MWh	Fully
EN5	Energy saved due to conservation and efficiency improvements	2.32 billion kWh	Fully
EN6	Initiatives to provide energy-efficient or renewable energy based products or services, and reductions in energy requirements as a result of these initiatives	Pages 51–57 of this report	Fully
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	Pages 51–57 of this report	Fully
EN16	Total direct and indirect greenhouse gas emissions by weight	Scope 1 = 2,505,002 tCO ₂ e, Scope 2 = 4,063,977 tCO ₂ e, Scope 3 = 1,350,902 tCO ₂ e	Fully
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	Pages 51–57 and 65–67 of this report	Fully
SOCIETY			
S02	Percentage and total number of business units analyzed for risk related to corruption	100% of our business units are analyzed for risks related to corruption.	Fully
S03	Percentage of employees trained in organization's anti-corruption policies and procedures	100%	Fully
S06	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country	www.thekrogerco.com	Fully
S07	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	None	Fully