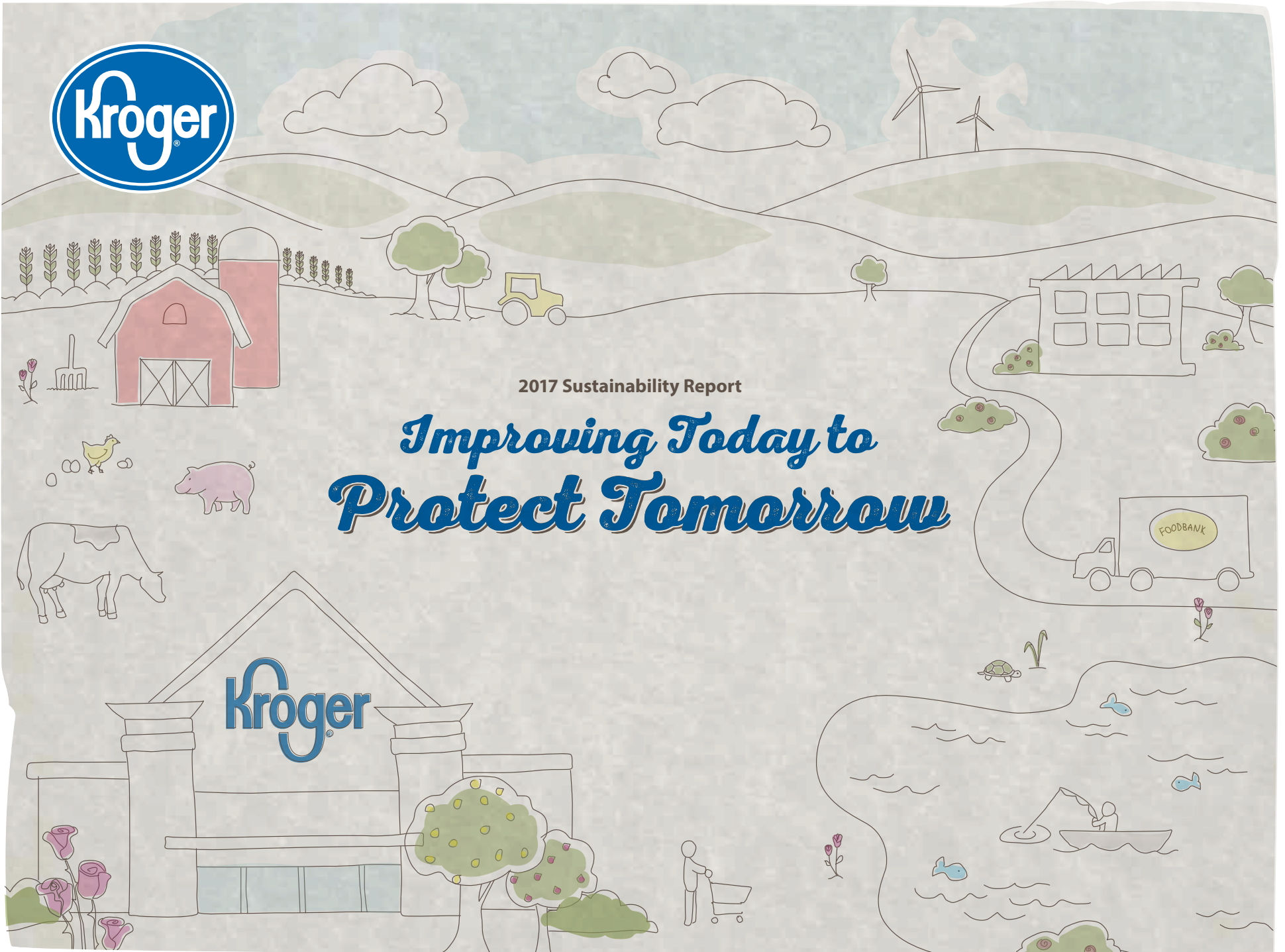




2017 Sustainability Report

Improving Today to Protect Tomorrow





\$115.3
BILLION IN TOTAL SALES

2,796
GROCERY STORES
IN 35 STATES

330
MILLION MEALS
DONATED
TO FOOD BANKS

443,000
ASSOCIATES WHO MAKE A DIFFERENCE

135
YEARS
IN BUSINESS

38
PLANTS PRODUCING
OUR BRANDS PRODUCT

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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 2016 fiscal year (Jan. 31, 2016–Jan. 28, 2017). The report was prepared using parts of the Global Reporting Initiative's new GRI Sustainability Reporting Standards, with the goal of transitioning to a report prepared wholly in accordance with the new standards for our next reporting cycle. Roundy's data was included for the first time in this year's energy, carbon and water data.

LETTER FROM THE CHAIRMAN AND CEO



Rodney McMullen

Chairman and
CEO



OUR COMMITMENT FOR A BRIGHTER FUTURE

The Kroger Family of Companies we know today has grown over time, gradually expanding from one small store on the banks of the Ohio River nearly 135 years ago. Through the years, we've added other founders' names to the list that starts with Barney Kroger: John S. Dillon, Chuck & Don Fry, Lloyd King, Fred Meyer and George Ralphs, to name a few. Their unique stories—and our shared legacy of community and social responsibility—are more important today than ever.

Today, our retail stores and operations stretch from coast to coast. We welcome nearly 9 million Customers through our doors every day, and we are passionate about offering a great shopping experience *and* a great value.

We are also committed to making the world a better place. Because we know people are hungry for more than just food, our purpose is to **Feed the Human Spirit**. Our Associates want to make a difference in the lives of our Customers and Communities, to lift up others, and to offer the food and inspiration we need to be our best.

Throughout our history, our company has focused on making sure people have wholesome food and nourishment. We know that meals matter, and we imagine a

world with **zero hunger** and **zero waste**. As a founding member of Feeding America, the nation's largest domestic hunger relief organization, we are working hard to leverage our people, our assets, our technology and other resources to accelerate our work in these critical areas. Thanks to the amazing generosity of our Customers, Associates and partners, Kroger is focused on feeding hungry families in our Communities and preventing food from going to waste. We lead our industry in fresh food donations—through our Fresh Donations program—rescuing fresh meat, produce, dairy and bakery items from the waste bin.

We are pleased to share with you Kroger's latest sustainability report. This is our opportunity to share with you the work we do to fulfill our purpose—to improve people's lives, protect our planet and act responsibly as a global citizen.

What follows are key examples of the work our more than 443,000 Associates and our many partners accomplished in 2016.



LETTER FROM THE CHAIRMAN AND CEO

COMMUNITY ENGAGEMENT

Helping our Associates, Customers and Communities thrive is incredibly important. Fighting hunger has been our top priority since our earliest days, and in 2016 we donated more than 330 million meals in foods and funds to feed the hungry. This includes 69 million pounds of fresh food—over 57 million meals—and other products contributed by our stores to local food banks.

Our Associates are truly our greatest assets. Together, we live our purpose and serve our Customers every day. In 2016, Kroger created 12,000 new jobs, and once again scored 95 out of 100 on the Human Rights Campaign's Corporate Equality Index. We focus on creating a supportive work environment that helps thousands of Associates have a path to a career and brighter future. We also offer many award-winning health and wellness programs and benefits.

Through company donations as well as support from our Customers and Associates, we also directed more than \$7 million toward breast cancer research, detection and treatment to help those affected get the support they need, something that our Associates and Customers care deeply about.

Kroger also partners with the USO to help our military service men and women and their families. Through our Honoring Our Heroes campaign, we donated nearly \$4 million to the USO in 2016, including contributions from our Customers and Associates. We also hired more than 9,500 veterans in our family of stores last year—a total of over 36,000 since 2009.

SUPPLY CHAIN

Our Customers and stakeholders are increasingly focused on the environmental and social impacts of the food they eat. They want to know the source of their food and feel good about their choices. As one of the world's largest food retailers, we foster sustainability and transparency in our supply chains in many ways.

We are a trusted partner to organizations such as the World Wildlife Fund, the Rainforest Alliance and The Sustainability Consortium among others to improve our sourcing practices and foster positive change across supply chains. In 2016, our efforts focused on high-impact commodities like seafood, cocoa, coffee and more. We're making meaningful progress on our sustainable seafood goals—86% of the wild-caught seafood we procure is from sustainable sources. We are also sourcing 100% certified sustainable palm oil in manufacturing Our Brands, and 18% of the eggs we sell are now cage-free.

We continued to expand our assortment of natural and organic products, giving Customers even more choices. Today, 2,100 Kroger-operated stores offer Natural Foods departments or sections for packaged foods, and most carry organic products in the produce department. Our own Simple Truth and Simple Truth Organic product lines reached sales of \$1.7 billion in 2016, confirming that our Customers love these items.

By developing and supporting more transparency in our supply chain, we believe we positively affect Communities far beyond the walls of our stores.



LETTER FROM THE CHAIRMAN AND CEO

ENVIRONMENTAL BENEFITS

Protecting health and the environment is important for Kroger, and our Associates care deeply about doing their part. One of our top priorities is to be a “zero waste” company. We follow the EPA’s food recovery hierarchy for keeping waste out of landfills—including source reduction, fresh food donations, recycling and more. In 2016, we achieved an overall record 78% recycling rate in our retail, distribution, manufacturing and construction activities.

We also offer ways for Customers to help the environment too. Together, we recycled 39 million pounds of plastic bags and shrink wrap last year. Our Customers purchased more than 38 million reusable bags. And we launched product packaging innovations like a new, lighter-weight one-gallon milk jug that uses 10% less plastic and will save 5 million pounds of plastic every year.

We continue to be vigilant in maintaining and improving on the nearly 35% reduction in electricity use we have achieved in our stores since 2000. We are pleased to continue our long-term reduction trend in our normalized carbon footprint—a 4% reduction since 2006—and we have made great strides in reducing refrigerant emissions in our stores, with a nearly 10% reduction last year.

LOOKING FORWARD

Kroger Associates working together with our Communities have created incredibly positive social and environmental progress. However, we still want to do more and do better for our Communities and the planet. Through partnership, innovation and engagement, we are driving positive change in the lives of our Customers, Associates and Communities. Our commitment is unwavering. We invite all of our Customers, Associates, partners and other stakeholders to join us in working toward a future with zero hunger and zero waste.

Last year, we announced a series of bold **2020 Sustainability Goals** to increase responsible sourcing and improve eco-stewardship. These goals include expanding our 100% sustainable seafood commitment in partnership with the World Wildlife Fund, optimizing 100% of Our Brands packaging, transitioning toward a 100% cage-free egg supply chain, and achieving our zero waste goal, among others. Thanks to the commitment of our Associates, Kroger earned a spot on the Dow Jones Sustainability Index for the fourth consecutive year. I invite you to learn more about our sustainability initiatives by reading this report and visiting our website at sustainability.kroger.com.

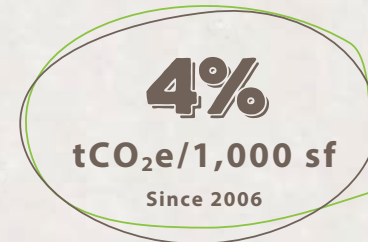
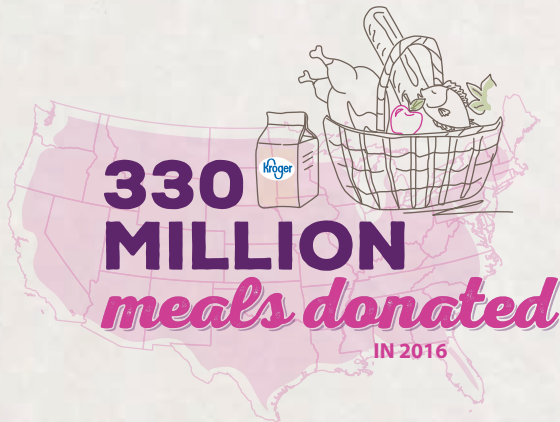
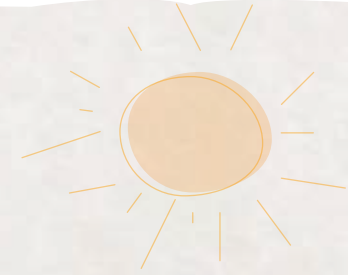
Sincerely,

Rodney McMullen
Chairman and CEO





2016 HIGHLIGHTS

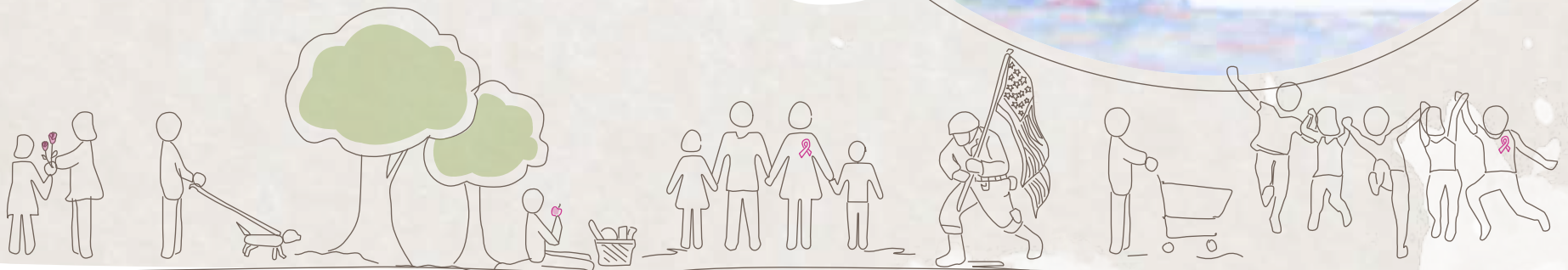


Normalized
Carbon
REDUCTION



Our Social Responsibility

Social



**\$319**

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 **\$319 million** was contributed in Kroger's name in 2016. 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 **330 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 **93 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 **\$2.3 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 nearly **\$19 million** to local hunger relief programs, during the holidays and at other key times of the year.

\$1.8
BILLION

**TOWARD LOCAL
COMMUNITY IMPACT
SINCE 2010**

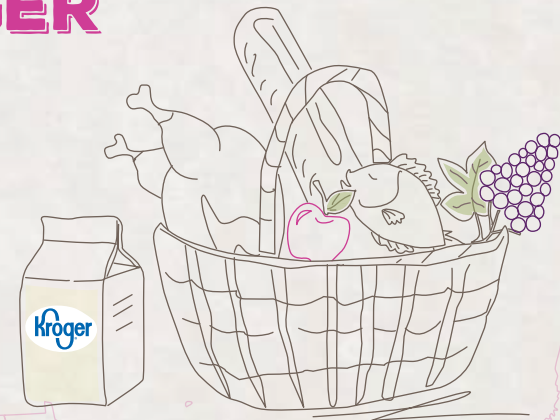
Kroger





COMMUNITY ENGAGEMENT: FIGHTING HUNGER

Bringing
HOPE
to the Table



330 MILLION
meals donated

IN 2016



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



COMMUNITY ENGAGEMENT: FIGHTING HUNGER

PERISHABLE DONATIONS PARTNERSHIP

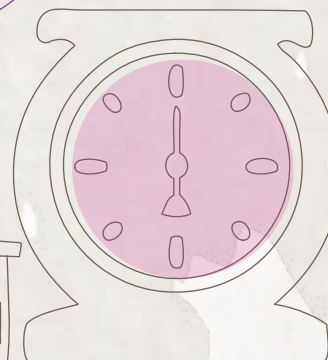
When it comes to nutritional content, all food is not created equal. Through Kroger's industry-leading Perishable Donations Partnership (PDP), safe, wholesome meat, produce, eggs and dairy products are donated to local food banks that have the capacity to safely handle and distribute fresh food. As a 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 2016, **69 million pounds** of fresh food—the equivalent of more than 57.4 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.

69 MILLION
Pounds of food donated
IN 2016



**THAT'S THE EQUIVALENT
OF MORE THAN
57.4 MILLION MEALS**





COMMUNITY ENGAGEMENT: FIGHTING HUNGER

Hunger Relief in the Kroger Family of Stores



Souper Bowl of Caring In honor of football's biggest game, Kroger raised more than \$562,000 in food and cash donations for local food bank partners. Kroger's Houston and Dallas divisions participated in this year's Souper Bowl of Caring food drive to help hungry families throughout Texas and Louisiana. The region-wide food drive offered associates and customers the opportunity to participate by donating money at the register or purchasing bags of food at their local Kroger store. All donations went directly to local hunger relief charities.

Scouting for Food Last year marked the 30th anniversary of the Boy Scouts & Girl Scouts "Scouting for Food" campaign to benefit food pantries across the region. For three weeks in March and April, 98 Kroger stores in the Central Division sold pre-bagged groceries and collected donations. Girl Scouts and Boy Scouts in some communities also went door-to-door for collections and assembled collection tables in Kroger stores. Pre-bagged sales totaled more than \$27,000, representing over 82,000 meals for those in need. Collection bins and door-to-door donations added thousands of pounds of food to the effort.

Across Our Company

Fighting Hunger & the Flu In 2016, Kroger formed an innovative new partnership with The Little Clinic and Feeding America®, the nation's largest domestic hunger relief organization. For every flu shot given at the Kroger Family of pharmacies or The Little Clinic locations, Kroger donated one meal through Feeding America. This effort addressed two important community needs: hunger and flu vaccinations. The health and wellness collaboration supported the 46 million food-insecure Americans who receive food through the Feeding America network.

Bringing Hope to the Table:

#PictureYourPlate During the holidays, Kroger donated \$3 million to local food banks through its annual Bringing Hope to the Table campaign. To raise awareness about food insecurity, Kroger asked customers and associates to "picture your plate" without the foods that nourish your family—because for 1 in 8 people, this is an everyday reality. When customers and associates shared a photo of their empty dinner plate with **#PictureYourPlate**, Kroger donated the equivalent of 1,000 meals to Feeding America. By the end of the campaign, Kroger donated more than 3.3 million meals to the Feeding America network.



\$7 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 2016, those donations added up to an additional \$4 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*, **348 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 9,500
veterans
were hired in 2016



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 2016, and generated an additional **\$1.9 million** in contributions from customers and associates.

KROGER HEROES

CLIFTON T. | U.S. MARINE VETERAN | KROGER, CATEGORY STRATEGY MANAGER, OUR BRANDS, CINCINNATI

I served in the Marine Corps from 1998 to 2002. I always felt the need to serve my country, but after seeing the impact that the Marine Corps had on several of my friends that joined before I did, I became passionate about becoming a Marine. During my military career I worked in the administration office and I was also a Martial Arts Instructor. I started my career in Michigan but moved several times (North Carolina, South Carolina, California). My impression is that the USO provides military personnel with much needed services, especially to those service members who are deployed and overseas. Transition from the military to civilian life was difficult, but I got reacquainted with family and enrolled in school (I used the GI Bill) which helped ease the transition because it kept me busy. Veterans have the skills and work ethic to be the best employees. More often than not, they just need an opportunity and Kroger is giving that to them. I am proud to work for a company that is committed to hiring veterans.

Since 2010, Kroger's support of the USO has totaled nearly **\$18 million**.

Kroger's support for members of the military expands beyond fundraising. Kroger hired more than 9,500 veterans last year. Since 2009, nearly **36,000 veterans** have been hired by our family of stores. Read more at HonoringOurHeroes.com.

To thank members of the military in 2016, Kroger hosted summer barbecues for thousands of troops and their families in three cities 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 2016, the Kroger family of stores donated nearly **\$51 million** to local schools and organizations participating in Community Rewards, providing funding to nearly **145,000** local organizations.



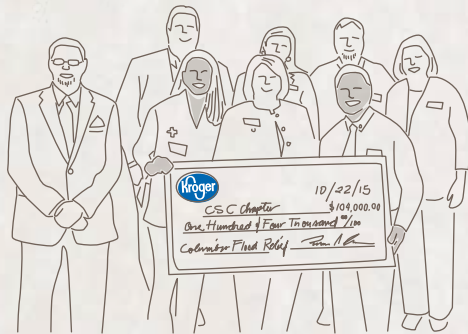
\$51 MILLION
donated

TO LOCAL SCHOOLS
AND ORGANIZATIONS
PARTICIPATING IN
COMMUNITY REWARDS





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 2016 are featured below. In 2016, our efforts provided nearly \$500,000 to American Red Cross chapters across the country.

Kroger Helps after Hurricane Matthew

In October 2016, Kroger's supermarket divisions and corporate teams rallied to help Atlanta, Mid-Atlantic and Harris Teeter associates and communities affected by Hurricane Matthew. Thanks to our teams' hard work, many Kroger and Harris Teeter stores quickly re-opened in the days after the storm, giving local residents access to essential supplies. The Kroger Family of Companies also raised more than \$443,000 to support hurricane relief efforts in areas affected by the storm. Our associates and customers donated cash, gave pet food to animal shelters, and delivered donated food and water to local food banks and Red Cross relief stations.

Wildfire Relief Efforts in Tennessee

Wildfires in eastern Tennessee devastated the Gatlinburg area in November 2016 and displaced many residents. Teams at the nearby Kroger stores in Murfreesboro, Tenn., and Sevierville, Tenn., were in the center of the affected areas and quickly stepped up to help the community. They provided meals and pallets of water to first responders, collected donations and served as a gathering place for those displaced by the fires. With the help of corporate, associate and customer donations, Kroger raised more than \$184,000 for the East Tennessee Chapter of the American Red Cross to support relief efforts.



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 443,000 associates safe is an important part of our commitment to them.

Our ultimate safety goal is zero accidents.

Kroger has made steady progress in reducing our overall OSHA injury rate since launching a safety initiative in 1995. At the end of 2016, the OSHA injury rate for retail locations is 3.67 per 100 FTEs, a 77.2% reduction since 1995. The injury rate for all Kroger locations combined—our retail

stores, manufacturing plants, distribution centers and offices—is 3.47 per 100 FTEs. This steady reduction is due to increased efforts to promote safety with our new associates and a continuous focus on preventing workplace injuries.

*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 (2015), Kroger's 2016 Supermarket Injury Rate (3.67) is 21.9% lower than the BLS industry benchmark of 4.7 Injuries/100 FTE, and has remained below this industry benchmark for the last 19 years.

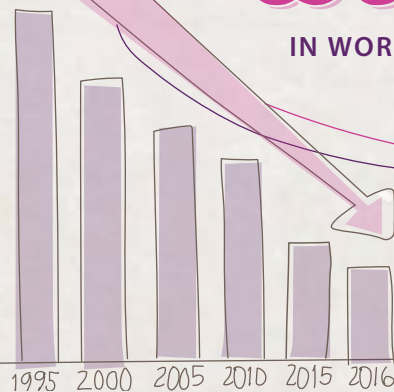
KROGER'S STAR (STORES TARGETING ACCIDENT REDUCTION) PROGRAM

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.



77.2%
Decrease

IN WORKPLACE ACCIDENTS
SINCE 1995





\$1.56

**BILLION HUMAN
CAPITAL INVESTMENT**

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 2016, 70,582 associates and their spouses/domestic partners received free health screenings (75% 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 3,700 coaching sessions in 2016.
- **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.

Kroger is a four-time American Heart Association Fit-Friendly Platinum Achievement Award-Winning Company. The American Diabetes Association also named Kroger a Health Champion Employer in 2016 and 2015.

Kroger provides many ways for all associates to improve their health. For the last five years, all divisions have participated in "I CAN DO THAT" wellness challenges. More than 77,000 associates from all of our divisions have participated in a financial wellness or walking challenge. Since 2012, our associates have walked 17.2 billion steps, or 974,573 miles.

More importantly, our associates generally pay less for their health care benefits than other individuals working in our industry. In 2016, the company spent nearly \$1.6 billion to provide health care, wellness and retirement benefits for our associates, their families and retirees.

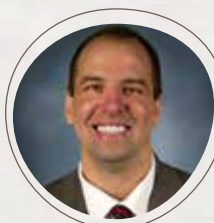




ASSOCIATES: OPPORTUNITY CULTURE

We continue to do our part to create jobs in our communities and opportunities for growth for current associates. In 2016, we created 12,000 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

86,000 new jobs in our local communities. We are particularly proud that we hired more than **9,500 veterans** in 2016 and more than **36,000 veterans** since 2009. Our second annual Veterans Hiring Event resulted in 4,000 new hires.



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 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 most work locations (stores, plants, distribution centers and offices) have a Cultural Council. These councils, comprised 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. 51% of exempt associates are female, and 22% of exempt associates are people of color.



ASSOCIATES: ASSOCIATE DIVERSITY

ASSOCIATE RESOURCE GROUPS (ARGS)

Associate Resource Groups provide our associates the opportunity to connect with people of similar backgrounds or interests, and they help associates feel a part of a community at their workplace, too. ARGs also offer opportunities for networking, professional development and community involvement. Kroger has 10 ARGs at our headquarters in Cincinnati: African-American, Alliance of Kroger (LGBT and Allies), Asian, Cancer Awareness, Disabilities Resource

Care, Kepasa (Hispanics and Latinos), Parents, Veterans, Women's EDGE and Young Professionals. ARG chapters are growing in a number of our retail supermarket divisions across the country, now up to 30 groups.

In 2016, 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 2016, Kroger associates formed the Disabilities Resource Care Associate Resource Group to offer an internal support network for those who have family members with disabilities. This new ARG focuses on empowering Kroger associates with disabilities or associates who have dependents with disabilities an opportunity to receive support from others who share similar backgrounds and experiences.

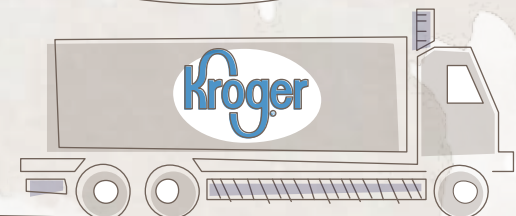
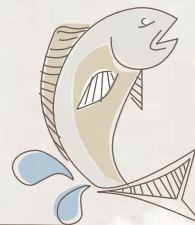
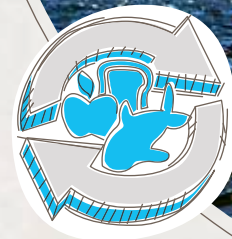
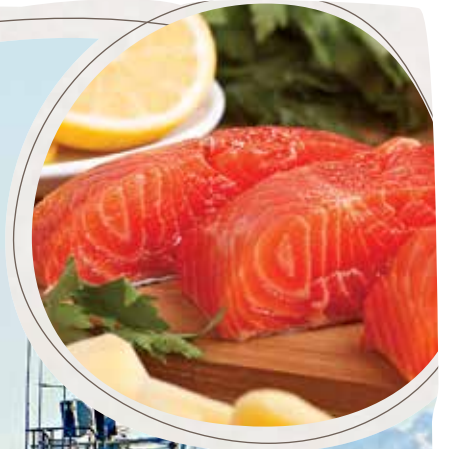
Here are a few other ways our ARGs helped build connections and improve our business last year:

- **Women's EDGE** hosted the first-ever National Women's EDGE forum with representatives from every Kroger division across the company. The agenda focused on inspiring participants to make a difference for our associates, customers and communities.
- **The Cancer Awareness ARG** hosted a Lung Cancer Breathe Stair Climb in partnership with the Cincinnati chapter of the American Lung Association.
- **Kepasa** donated school supplies and provided snacks to students at the Santa Maria Back-to-School event in support of the English as a Second Language Program.
- **The Veterans ARG** sponsored its annual Honoring Our Heroes 5K Run, raising more than \$15,000 for local charities that support our veterans.



Our Food and Products

Supply Chain





OUR FOOD AND PRODUCTS



\$1.7

BILLION
SIMPLE TRUTH®
SALES

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

The importance of “supply chain” is rising among Kroger stakeholders—from customers and associates to investors and NGOs. 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 about and want to know how Kroger positively influences the supply chain—from raw materials and ingredients and manufacturing inputs to labor practices and animal welfare. Kroger has programs in place to address many aspects of a complex and dynamic food system.

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 preferences for their families and homes.



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

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 **\$1.7 billion** in annual sales in 2016—this was within four years of launching the brand exclusively in our stores. There are over 900 Simple Truth® or Simple Truth Organic™ unique products. 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.



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 Nature's Market departments, but increasingly are found integrated throughout the store.

More than 2,100—or 90%—of our stores have Natural Foods departments or Natural Foods sections for packaged foods, and most carry organic products in the Produce department. Kroger offers 20,000 natural products nationwide, with each store offering between 4,000 and 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 tell us are "undesirable."

Our Natural Foods team continues to offer products made with the ingredients our customers want plus 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"

The phrase "Free From" means that these products are free from 101 artificial preservatives and ingredients. Click [here](#) to see the entire list.



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 recently launched the Discover Fresh website, allowing customers to discover featured local farms and learn more about their efforts to grow fresh produce. See more at discoverfresh.kroger.com.

One of Kroger's most popular products is local too—**our 17 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 40.

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. 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. Most recently, Kroger's Simple Truth brand expanded to include Silver Gel Wound Care and Children's Cough Syrup and Mucus Relief.





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

FAIR TRADE CERTIFIED™

Fair Trade Certified is a market based approach to building sustainable livelihoods for the farmers, workers and fishermen who grow our favorite products. 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 across 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. Currently, Kroger carries a variety of Fair Trade Certified coffee, tea, coconut, chocolate and sugar products in our Simple Truth assortment.

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.

Fair Trade Certified™ Coffee Products

Coffee was the first Fair Trade Certified commodity in the United States. With the help of Fair Trade programs, coffee farmers have better access to business opportunities and income that benefits their livelihoods and the communities and co-operatives in which they work. At Kroger, we are proud to be a part of a more socially responsible supply chain that benefits these individuals and communities. As our customers increasingly demand products that are natural, organic and socially responsible, Kroger has expanded our assortment to meet these needs.

We offer many Fair Trade Certified coffee options in our stores. Our own Simple Truth Organic brand has multiple Fair Trade Certified options, including ground and whole beans, single serving pods, instant coffee, decaf and cold brew, with more to come. In addition to supporting socially just practices, these products meet Organic standards and our "Free From" requirements.

*We also carry Fair Trade Certified national coffee brands, such as Laughing Man® Coffee single serving pods. **Laughing Man Coffee** was started in 2011 by actor Hugh Jackman after he met a young coffee farmer named Dukale while traveling in Ethiopia. He recognized the need for a marketplace for farmers in developing countries, and today, 100% of the profits go to the **Laughing Man Foundation**, which supports social entrepreneurship, education and community development. This Fair Trade Certified coffee is available through retailers like Kroger and at the Laughing Man Café in New York City.*



**23**SUPPORTED FISHERY
IMPROVEMENT
PROJECTS
SINCE 2009

*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.

In 2016, Kroger 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.

Kroger is currently sourcing 86% of our wild-caught fresh and frozen species by volume under this criteria, with 69% of our total volume coming from MSC-certified fisheries.

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



©WWF-US/Molly Edmonds



©WWF-US/Molly Edmonds

Sustainably Sourced
SEAFOOD

HIGH-IMPACT COMMODITIES WILD-CAUGHT SEAFOOD

2015

WILD-CAUGHT GOAL

100%**Top 20 Wild-Caught Species**MSC-certified, in full assessment, in a FIP or
certified by other GSSI-recognized program**by 2015**

≡ PROGRESS ≡

before moving to expanded 2020 goal

86%

PARTNER



2020

WILD-CAUGHT GOAL

100%**ALL Wild-Caught Species**MSC-certified, in full assessment, in a FIP or
certified by other GSSI-recognized program**by 2020**

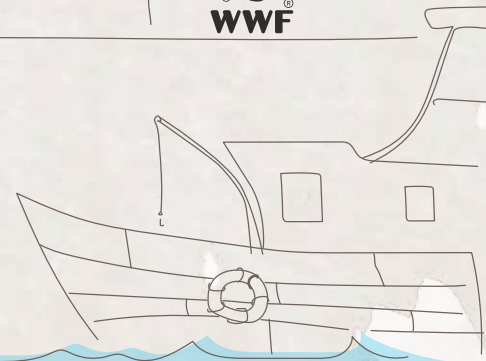
≡ PROGRESS ≡

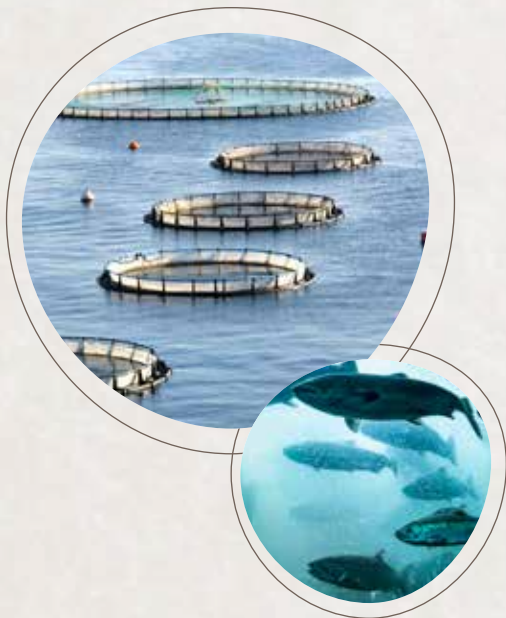
86%

PARTNER



In 2016, Kroger set a new goal to source 100% of all wild-caught seafood species from fisheries that are MSC-certified, in MSC full assessment, in comprehensive FIPs or certified by other GSSI-recognized programs, by 2020. In addition, we 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.





HIGH-IMPACT COMMODITIES

FARM-RAISED SEAFOOD

2012

FARMED GOAL

100%

Our Brands Farm-Raised Species

Best Aquaculture Practice Level 2

by 2012



PARTNER



2020

FARMED GOAL

100%

Our Brands Farm-Raised Species

Best Aquaculture Practice Four-Star

by 2020

= PROGRESS =

IN ASSESSMENT

PARTNER



Sustainably Sourced
SEAFOOD

In 2016, Kroger set a new goal to source 100% of Our Brands farm-raised seafood from Best Aquaculture Practices Four-Star Certified Fisheries. We are still assessing progress toward this goal.





HIGH-IMPACT COMMODITIES

CANNED TUNA

2013

CANNED GOAL

100%**Our Brands Canned Tuna**

Sourced from ISSF participating companies

by 2013



PARTNER



2020

CANNED GOAL

100%**Our Brands Canned Tuna**

Will state the tuna is sourced from ISSF participating companies

by 2020

= PROGRESS =

IN ASSESSMENT

PARTNER



Sustainably Sourced
SEAFOOD

Kroger is committed to continue sourcing 100% of shelf-stable tuna from International Seafood Sustainability Foundation (ISSF)-participating companies. In 2016, Kroger set a new goal to have 100% of Our Brands shelf-stable tuna state the tuna is sourced from ISSF-participating companies, by 2020. We will also review International Seafood Sustainability Trade Association member companies' ISSF compliance reports to support progress and improvement in tuna fisheries globally.





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)

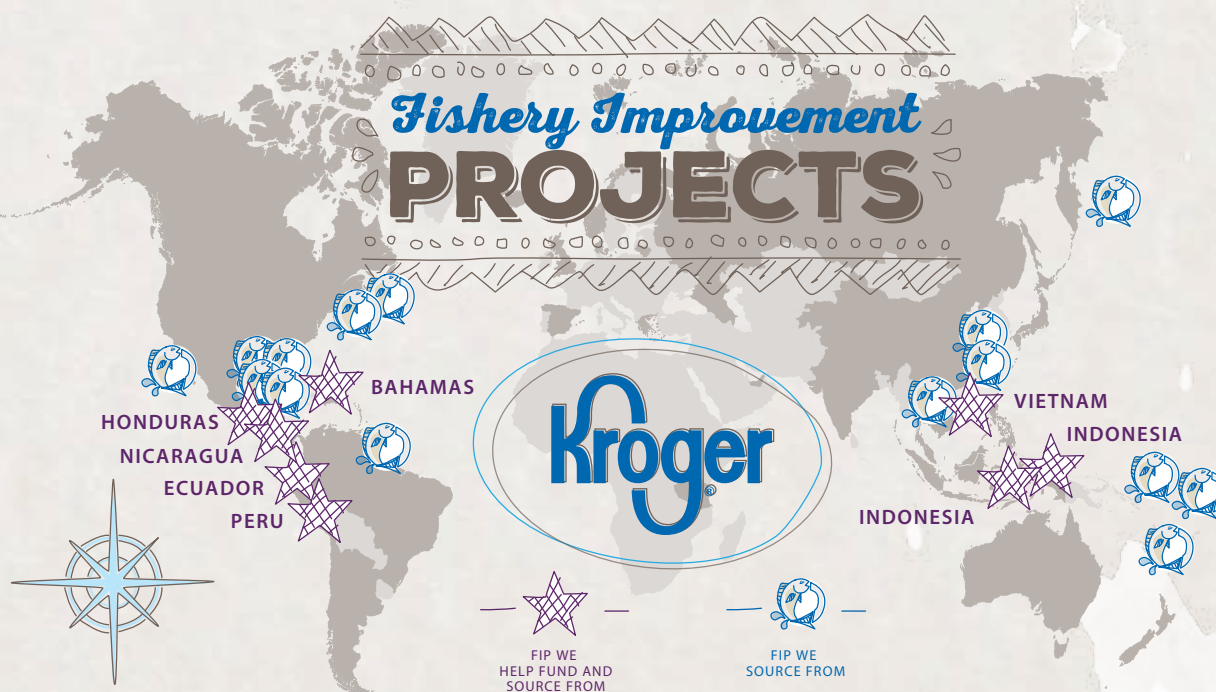
Comprehensive FIPs offer a step-wise approach for fisheries to reach the MSC standard. This collaborative effort brings together fishers, the private sector, government, researchers and NGOs to improve the environmental performance of a fishery. This approach ensures that FIP activities are aligned with 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 23 fishery improvement projects (mapped below) since 2009 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 Indonesia 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." Watch this [video](#) to learn more about Kroger's visit to Peru to meet mahi-mahi fishermen.

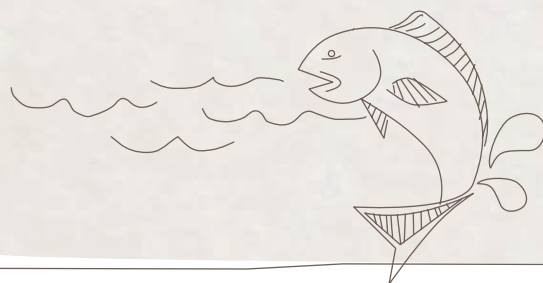




Canned Tuna Sustainability

"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 Brands canned tuna is sourced from companies that participate in the International Seafood Sustainability Foundation (ISSF). By 2020, all Our Brands canned tuna will state the tuna is sourced from ISSF-participating companies. 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 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 45).

AQUACULTURE (FARM-RAISED)

Farm-raised seafood is a healthy alternative, too. Since 2012, all of our farm-raised Our Brands 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. In 2016, Kroger set a new goal to source all of Our Brands farm-raised seafood from BAP Four-Star Certified farms by 2020. 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 and farm-raised seafood, canned tuna, and 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.

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 Brands products. We committed

to purchase 100% certified sustainable palm oil (CSPO) to be used in Our Brands products that we manufacture 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 2015, Kroger achieved its goal to source 100% of palm oil for Our Brands products by sourcing Certified Sustainable Palm Oil (CSPO) from a mass balance supply chain. 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 17 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 nearly **464 million gallons of milk for our customers in 2016**. 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.



464 MILLION
gallons of milk produced



...THAT'S 7.4 BILLION
GLASSES OF MILK
IN 2016

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 certification seal assures consumers that the flowers they are purchasing have been grown and harvested using environmentally and socially responsible practices.

Our Brands 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 2016, Kroger conducted 14,044 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 2016, we provided food-safety training to more than 49,500 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 4,800 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 more than 2,100 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 2016, 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.



**38**MANUFACTURING
PLANTS

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

QUALITY AND OUR BRANDS MANUFACTURING STANDARDS

Kroger operates 38 dairies, bakeries and grocery manufacturing plants around the country. Nearly half of Our Brands 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 Brands 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 2016, our rate of customer comments per million units of product was 8.62, a 6% decrease from 2015. 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 www.kroger.com. We have professional dietitians 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 OUR 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

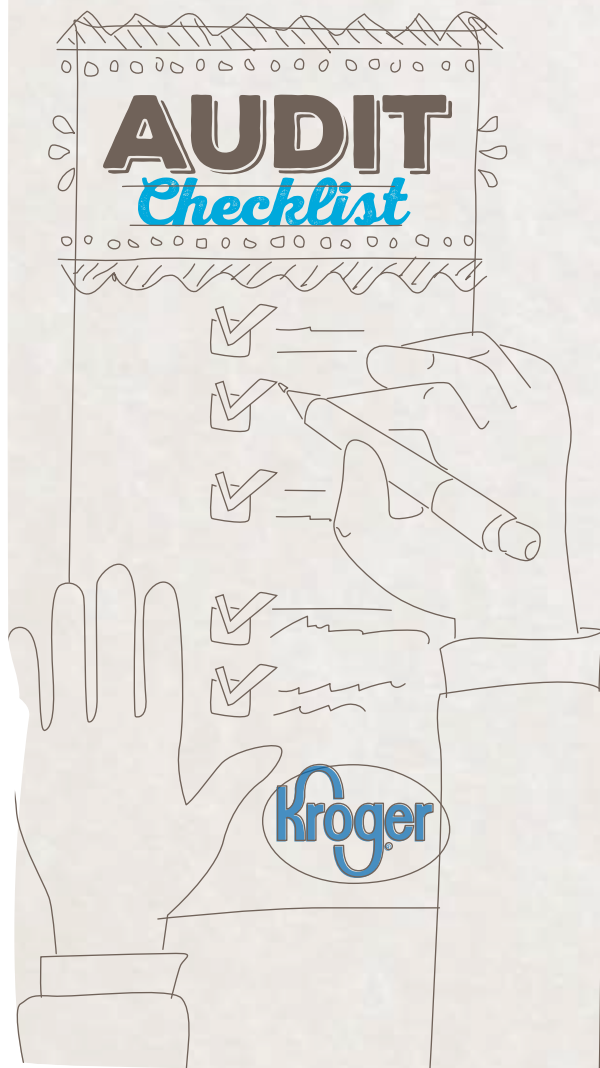
In order to do business with Kroger, a supplier is required to agree to our Vendor Code of Conduct, which can be found [here](#). This Code makes it clear that our suppliers (and their suppliers) must meet the legal requirements applicable to them and meet the high ethical standards expected by Kroger. 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.





Risk Management in High-Impact Supply Chains

In 2016, Kroger continued working with The Sustainability Consortium (TSC) to identify and further understand social and environmental risks in the company's supply chain. TSC is a multi-stakeholder non-profit organization that designs and implements measurement and reporting systems that improve product sustainability.

The collaboration between Kroger and TSC includes two elements: (1) using the TSC's Commodity Mapping Tool in combination with Kroger's sourcing data to identify geographic, environmental and social risks for top high-impact commodities, and (2) reaching out to key suppliers to gain increased visibility and insights on risk management and other metrics.

Currently, Kroger and TSC are working together to design an effective survey tool to benchmark suppliers' performance on sustainability issues, identify high-risk suppliers and develop a plan to work with suppliers to improve sustainability. Kroger will launch this program later in 2017.

QUALITY AND OUR 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 continued working with The Sustainability Consortium to assess top commodities using their Commodity Mapping Tool, 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.

2016 PROGRAM RESULTS

From 2014 to 2016, Kroger increased the number of social compliance audits by more than 150%. We also continued to implement our robust process for analyzing and acting on the results of these 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, evaluating dairy dehorning and the sub-therapeutic use of antibiotics, and transitioning 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's "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.



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

ANIMAL WELFARE

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 2016, 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.** Currently about 18% of our eggs sold are cage-free. 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, the Our 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, Our Brands body washes and antibacterial soaps were triclosan-free. This area continues to evolve and Our Brands will respond. See page 27.

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 the Our 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 the Our Brands portfolio have been BPA-free.

Kroger is steadfast in its efforts to remove BPA from the linings of Our Brands packages. We have made significant progress in engaging our canned goods suppliers to transition to feasible, Non-BPA alternatives. As of May 2017, we have converted 426 Our Brands canned goods to Non-BPA liners—this represents more than 85% of applicable items. 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 the Our 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.





SUPPLIER DIVERSITY



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.

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 26 corporations that have achieved \$1 billion or more in annual spending with M/WBEs. We achieved this goal by partnering with **884 M/WBE** companies in 2016. Other Billion Dollar Roundtable members include Procter & Gamble, Johnson & Johnson, Toyota and Microsoft.

During 2016, 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).

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 2016, 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.

Corporate honorees that were recognized spent between \$25 million to upwards of \$1 billion with Hispanic-owned companies in 2016.



OMNIKAL Omni50 LIST

Kroger ranked 8th on the 17th annual list of America's Top 50 Inclusion Corporations. OMNIKAL (formerly DiversityBusiness.com) announced the Omni50 Award Winners, which are the top 50 U.S. corporations awarding the most business to the growing, culturally diverse vendor/supplier marketplace. This is the seventh consecutive year that Kroger has been recognized on this list. Kroger has an ongoing commitment to connecting with our customers and serving the multicultural marketplace of the future. In their annual survey, OMNIKAL asks its 2 million member businesses to answer 10 questions about inclusive business practices in the marketplace. Their answers are based on factors such as volume, consistency and actual, quality business opportunities granted through contracts awarded to the diverse supplier marketplace.



TrueChoicePack Corp.

Several years ago, Kroger was looking to expand its billion-dollar organic brand—Simple Truth®—beyond food into sustainable and compostable disposable products. We were looking for a supplier with expertise in making 100% compostable products and found TrueChoicePack Corp. (TCP), based in Dayton, Ohio.

Founded in 2008, TCP is a leader in packaging and disposable solutions. BioGreenChoice—their eco-friendly foodservice product line—has become one of the leading quality sustainable brands in the U.S. This line of products offers sustainable alternatives to traditional plastic or polystyrene foam products. The BioGreenChoice product line is eco-friendly, 100% biodegradable and compostable packaging made from renewable by-products of the agricultural industry, like sugarcane and corn starch. Kroger partnered with TCP to develop items like Simple Truth 10-inch disposable plates, which are 100% compostable, and Home Sense® brand boxed traditional plastic cutlery. TCP ships thousands of cases per month of these items for Kroger-operated stores nationwide.

Heena Rathore, TCP's president and CEO, has a proven track record of launching and growing successful new products. She also serves on the board of directors for the Biodegradable Products Institute. Rakesh Rathore, Ph.D., leads supply chain efforts and Research & Development for TCP's packaging materials.

Kroger is pleased to work in partnership with TCP to advance both our commitment to supplier diversity and sustainability.

Our Commitment to the Environment

Environment



**1.6**BILLION KWH
SAVED

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

ENERGY/CARBON

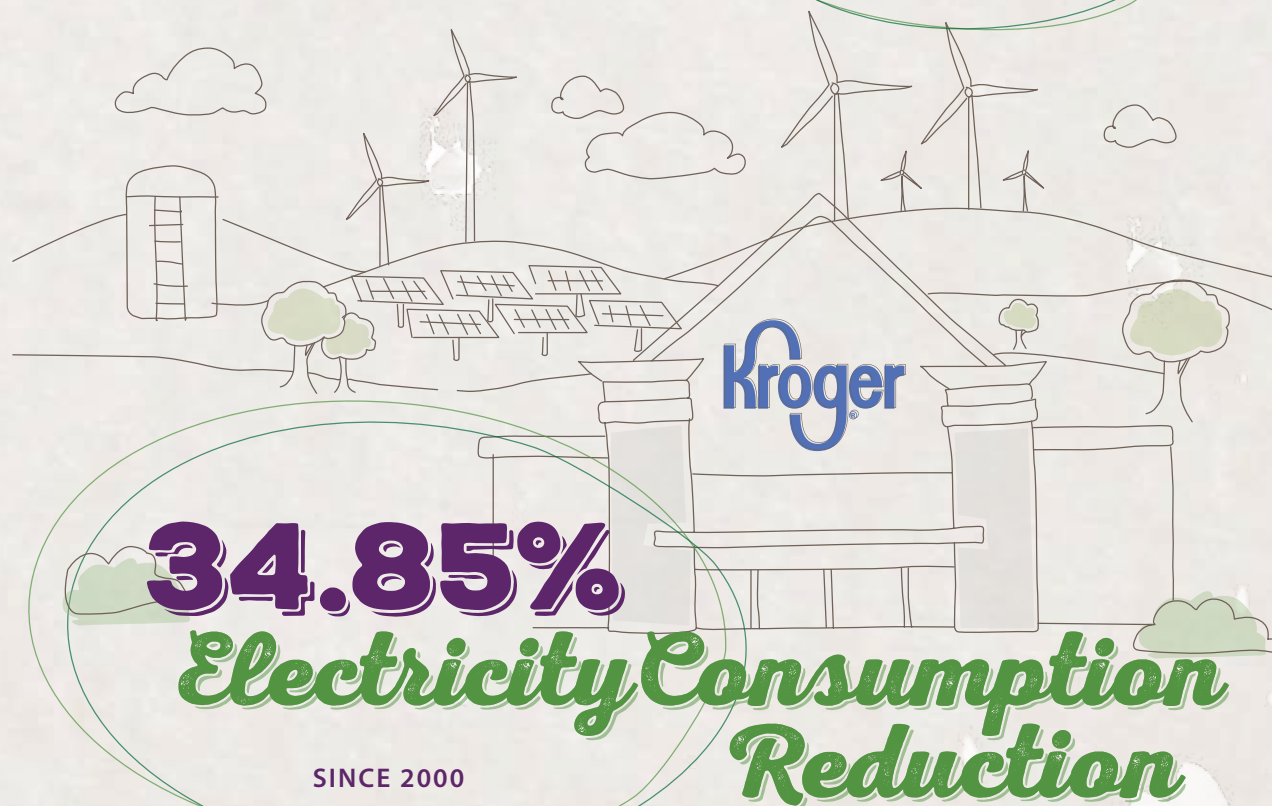
Kroger is committed to protecting health and the environment. This extends beyond our responsibilities to comply with all applicable environmental laws and regulations to include our commitment to environmental sustainability. We strive to reduce our impact on the environment by using natural resources responsibly and minimizing waste in our operations.

Our aggressive work in energy management has enabled us to reduce overall electricity consumption in our stores by **34.85%** since 2000. In our stores, we have saved more than **1.6** billion kWh since 2000—enough electricity to power more than **119,000 homes** for a whole year, and the carbon equivalent of taking 238,878 cars off the road for a whole year!



ENERGY/CARBON

MORE THAN
10.6 MILLION kWh OF
SOLAR AND WIND POWER
PRODUCED IN 2016





ENERGY/CARBON

COMMITMENT TO ENERGY REDUCTION

Kroger's long-term goal is to reduce cumulative energy consumption (in the form of electricity) in our stores by 40% by 2020, using a 2000 baseline. We continue to show a positive long-term trend—a 34.85% electricity reduction in our stores since 2000—and remain committed to achieving our long-term goal. Company-wide, our electricity consumption increased by 10.5% since last year and our total energy consumption, including natural gas, propane and other fuels, increased by 12.5% (largely due to the growth of our business including our merger with Roundy's and the rapid expansion of our popular ClickList online order and pick-up service).

To reduce energy use, our new stores are designed with many energy-efficient features, including LED lighting, motion sensors, variable speed drives, anti-sweat heat controls, distributed refrigeration systems, heat reclaim systems, night-time lighting controls, building and refrigeration control systems, and high efficiency lamps and ballasts. Newer features also include refrigeration case controls, digital scroll compressors, demand defrost and demand-control ventilation.

We use the U.S. EPA's ENERGY STAR program to track and assess energy consumption across our retail locations. We benchmark building energy performance, assess

energy management goals over time, and identify strategic opportunities for savings. Kroger continues to seek the ENERGY STAR certification for our stores, and new stores are "Designed to Earn" the certification. Currently, 1,119 Kroger-operated retail stores qualify for the ENERGY STAR certification, and we are actively applying for certification even as we configure our new energy management system to align with the ENERGY STAR Portfolio Management platform.

LOGISTICS

Our Logistics team moves several million items across the country each and every day. We operate and maintain 42 distribution centers across the U.S. Our store delivery fleet of 3,200 tractors and 12,000 trailers makes more than 8,600 deliveries every day. In 2016, that translated to traveling almost 369 million miles to our stores and facilities. In our Logistics operations, we continue to reduce energy by improving fleet efficiency. We participate in the EPA's SmartWay program, and we are converting to alternative fuel sources like renewable liquefied natural gas and deploying photovoltaic solar systems at two of our distribution centers. From 2015 to 2016, we decreased diesel consumption by 5%, and our ton-miles-per-gallon have improved by 7.5% since 2010. See our [Logistics](#) section for more details about our 2020 goals and progress to date.



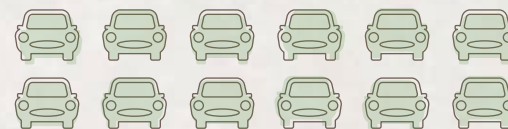
Retail

Our 443,000 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. Associates also focus on proper case stocking, closing doors, monitoring case temperatures, turning out lights, and turning off equipment at night. Even small actions in our stores add up to big energy savings across our company.

ENERGY/CARBON

1.6 BILLION
Kilowatt Hours

HAVE BEEN SAVED BY KROGER
GROCERY STORES SINCE 2000



CARBON EQUIVALENT OF TAKING
238,878 CARS*
OFF THE ROAD FOR ONE YEAR!



*per EPA GHG calculator

HOW WE IMPROVE IN OUR MANUFACTURING PLANTS

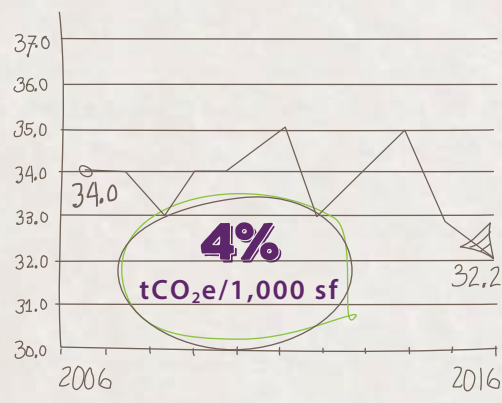
The manufacturing group is leveraging the ENERGY STAR program as part of their ongoing commitment to reduce energy. More than 30 plants have formed energy teams who are charged with increasing awareness, monitoring progress and incorporating feedback into the process.



NORMALIZED

Carbon Footprint

(tons of CO₂e/1,000 sf.)



CARBON FOOTPRINT

Kroger has measured and managed our total carbon footprint since 2006. In 2016, our total corporate carbon emissions were 7,251,426 metric tons of carbon dioxide equivalents (tCO₂e). This includes 2,754,335 tCO₂e of scope 1 (direct) emissions from mobile and stationary fuel sources (e.g., natural gas, diesel fuel, refrigerants) and 4,497,091 tCO₂e of scope 2 (indirect) emissions from purchased electricity consumption. While this represents a ~3% increase in our gross carbon emissions from 2015—primarily related to the growth of our company, including the merger with Roundy's—our normalized carbon emissions (tCO₂e per 1,000 sf) decreased by ~3% in the same time period. In addition, normalized emissions have decreased by about 4% since 2006 when we first started tracking our carbon footprint.

Reducing our carbon footprint is an important pillar in Kroger's sustainability commitment, and we continue to invest in energy efficiency and low-carbon technologies.

One example is our work to better manage and reduce refrigerant impact. We are testing technologies that reduce initial system charges and investigating the cost and efficacy of refrigerants with lower global warming potential (GWP). Kroger joined the 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. In 2016, we met our goal to reduce refrigerant emissions by 9% in stores. We also set a new goal to further reduce these store emissions by 10% in 2017, demonstrating our ongoing commitment to continuous improvement.

ENERGY/CARBON

Kroger expanded our footprint in 2014 to include a partial scope 3 (other indirect) footprint, which includes impacts such as company-generated waste, employee commuting and business travel. In 2016, these scope 3 sources totaled 1,751,411 tCO₂e, an increase of about 10% from 2015. These increases are at least in part due to improved tracking capabilities for these activities.

* We publicly report our carbon footprint to the Carbon Disclosure Project (CDP). This international organization records scope 1, scope 2 and scope 3 greenhouse gas emissions measurements.

* For consistent tracking of emissions over time, 2006–2015 emissions have been recalculated to include the acquisition of Harris Teeter and Roundy's divisions added in recent years. Based on Harris Teeter's 2015 emissions and historical sales by year, and on Roundy's 2016 emissions and historical sales by year, 2006–2015 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, Penn. Kroger's Turkey Hill Dairy purchases all of the wind energy produced from The Frey Farm Wind Turbine Project. For the fifth 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. Annual wind energy production in 2016 was **6.57 million kWh**.

SOLAR

Several Kroger-operated stores have installed rooftop solar systems, generating approximately 815 kW of solar energy capacity that produces nearly 958,000 kWh per year. Fry's stores in Arizona installed the first commercial application of the PowerParasol—a patent-pending solar energy and shade technology—in 2013. This 580-kW parking lot system covered 1.7 acres and generated nearly

850,000 kWh of clean renewable energy. Since then, Fry's has added two 840-kW PowerParasol systems and a new 1,159-kW Affordable Solar Energy parking lot system.

Kroger's Logistics team has deployed two photovoltaic solar systems at our distribution centers. The Fred Meyer Clackamas Distribution Center in Oregon was the first to install a photovoltaic system in December 2011. It has a 500 kW capacity, which continues to provide about 10% of the DC's power requirements. Smith's Food & Drug Stores also operates a rooftop mounted system in Utah at its main distribution center in Layton, Utah. The 1-MW AC solar photovoltaic rooftop system has produced more than 3 million kWh of clean electricity since 2014, reducing the Layton Distribution Center's energy needs by 20%. The project, a partnership between Smith's and Rocky Mountain Power, 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.

Total solar production in 2016 was approximately **4.046 million kWh**.

Smith's: Partner of the Year

In 2016, Smith's Food and Drug Stores was named a wattsmart® Business Partner of the Year for reducing energy use through efficient lighting, refrigeration and HVAC at its 47 Utah stores. Smith's completed multiple projects—from lighting and HVAC upgrades to recommissioning existing facilities—to save 4.1 million kWh a year in energy, enough to power 455 Utah homes. The division also received more than \$406,000 in Rocky Mountain Power incentives to offset the cost of the upgrades.





ENERGY/CARBON

FOOD POWER

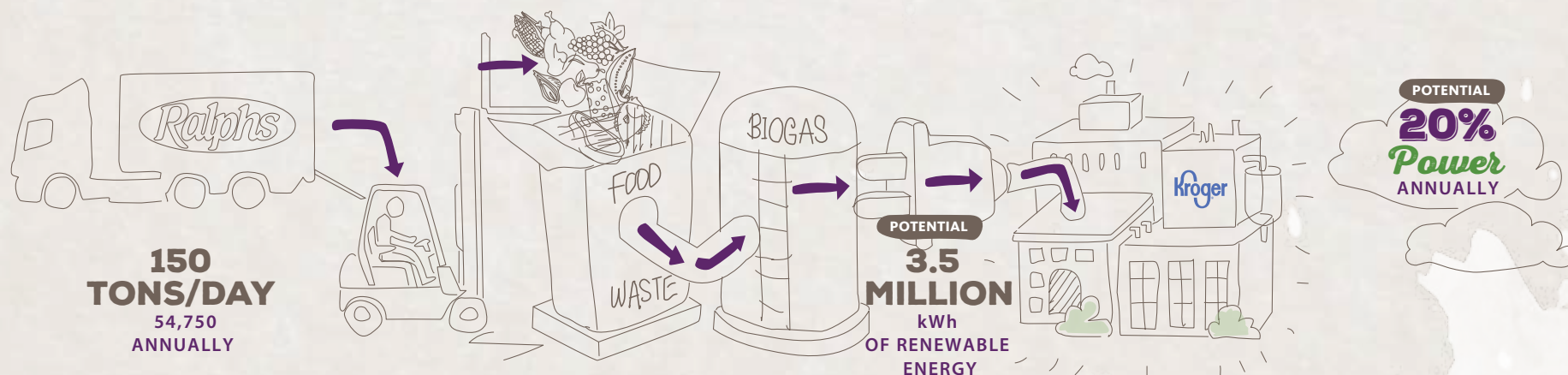
The Kroger Recovery System, located in Compton, Calif., at the Ralphs/Food 4 Less Distribution Center, started operations in 2013. It works like this: Ralphs store associates fill bins with unsold organics and place them on a return trailer to the distribution center. When the truck arrives at the distribution center, the bins are off-loaded and brought to the anaerobic digester. The Compton facility has an annual capacity to process nearly 55,000 tons of food waste. In this situation, food waste is food that cannot be sold or donated, as well as on-site dairy processing effluent. The system generated more than **1.8 million kWh** of renewable power in 2016. Any power not consumed by the digester's processes is diverted to the 650,000-square-foot Ralphs/Food 4 Less Distribution Center.

The naturally occurring process of anaerobic digestion transforms food waste into renewable biogas. 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. Using the anaerobic digester reduces area truck trips by 400,000 to 500,000 miles each year, and reduces waste costs by \$4.5 million. It also reduces carbon emissions by an estimated 90,000 tons a year.

Based on the success in Compton, Kroger broke ground on a second anaerobic digester in 2016. This project will create an anaerobic wastewater treatment system at our KB Specialty Foods manufacturing facility in Greensburg, Ind. The system will turn food production byproducts into energy and improve air quality in the area. The existing wastewater treatment system in the facility is open to the air. The new system will feature a dome that will capture biogas from food byproducts at the plant. The collected biogas will then be harnessed to generate electricity that will be sent to the plant's electrical grid.

Read more about this kind of Organic Electricity [here](#).





WATER

RETAIL STORES

We continue to look for ways to reduce our water use in our retail supermarkets. In 2016, Kroger explored several water reduction initiatives that we are now implementing. For example, we recently launched an initiative to reduce the amount of water used to clean utensils in Starbucks kiosks inside select stores. These “dipper wells” run around the clock at low flow but can be converted to push faucets, reducing water waste and improving cost effectiveness. This pilot has rolled out to 58 stores so far. We also expanded a pilot that started in 2015 that uses “smart” controllers on water-cooled refrigeration condensers at stores in hot, water-restricted climates. In 2016, our water use stayed approximately the same as the previous year (when not accounting for newer stores resulting from recent mergers). We expect additional water reduction benefits from these initiatives to materialize in 2017 and beyond. As a result, we set a goal to reduce water consumption in stores by 5% by 2020 using a 2015 baseline.



MANUFACTURING PLANTS

Our manufacturing plants continue to focus on reducing water use. These plants’ collective water consumption increased slightly from 2015 to 2016 (by less than 1%), due to building expansions, new processes and equipment, warmer weather, and changes to water metering—all of which require more water. Half of our plants decreased their water use during this time period—some by nearly 30%—by better understanding 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 also help reduce energy consumption and expenses. Our goal is to reduce water used per unit of production by 3% between 2016 and 2017. With a renewed focus on conservation techniques, we expect to improve our progress toward this goal.

Water Conservation in Our Stores

In 2016, Kroger launched the Starbucks Dipper Well Retrofit project to reduce water consumption in our stores. The Starbucks coffee kiosks located in select Kroger stores use “dipper wells” to clean utensils while preparing coffee orders. By default, the water in these wells runs around the clock at low flow. We worked together with the Starbucks team to convert the equipment to push faucets controlled by our associates as needed, reducing water waste and improving cost effectiveness. The pilot project has rolled out to 58 stores so far, and we estimate that reduced water consumption at these stores alone will total more than 10 million gallons annually—enough water to run more than 250,000 loads of laundry! We expect to retrofit 17 more stores by the end of 2017 and a total of 300 stores by 2020. This will save 52.5 million gallons of water annually by 2020.

**1,445**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 2016, 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 WasteWise 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, by 2020.



ZERO WASTE

ZERO WASTE

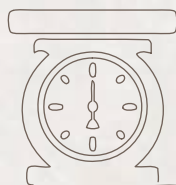
FOOD RECOVERY
HIERARCHY

SOURCE REDUCTION

120 MILLION
REUSABLE PLASTIC CONTAINERS



FEED HUNGRY
PEOPLE



69 MILLION
POUNDS OF FOOD DONATED
(FROM STORES)

FEED
ANIMALS



INDUSTRIAL
USES

164,000 TONS
RECYCLED

COMPOSTING

IN 2016
(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 2016, we expanded the enterprise-wide waste diversion initiative in all grocery stores. With a focus on food waste diversion, Kroger increased the amount of safe, whole-some food donated to feed hungry families in our communities. We also increased the number of participating food waste recycling locations to 1,445. We use a combination of composting, anaerobic digestion and animal feed programs to manage the remaining food waste.



31 OF OUR 33
PLANTS ARE
ZERO WASTE

99%

Recycling Rate
IN 2016



ZERO WASTE IN FOOD MANUFACTURING PLANTS

In 2016, **31 of our 33** corporately managed manufacturing plants were designated as “zero waste” facilities. Our plants recycled more than **600 million pounds of material** in 2016, a diversion rate of 99%.

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. We use licensed hazardous waste vendors to remove these materials from our stores and pharmacies and ensure they are destroyed legally (e.g., landfilled, incinerated). Additionally, we are 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.

Through this program, Kroger recycled almost 50,000 pounds of aerosol cans and 19,000 pounds of unsalable commercial chemical products in 2016 that otherwise would have been disposed as hazardous waste. In addition, we worked with our recycling partners to recycle nicotine cessation products and fluorescent lamps. With the success of these programs, we continue to look for opportunities to recycle more of our unsalable consumer products.

PACKAGING DESIGN

Packaging Our Brands 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 Kroger brand products. In 2016, we began rolling out a new lighter-weight milk jug in our dairy operations. The new milk jug is made of the same 100% recyclable high-density polyethylene as our current design; however, the new, innovative design uses about 10% less plastic while providing the same great performance.

We began producing milk with the new jug at our Westover Dairy in Lynchburg, Va., which serves our Mid-Atlantic region. Our next dairies to begin production were Vandervoort Dairy in Texas and Michigan Dairy. We will continue to expand production across the country in 2017. After fully implementing the new design, we will save more than 5 million pounds of plastic from going to the landfill a year, as much as 62.5 semi-trailer trucks!

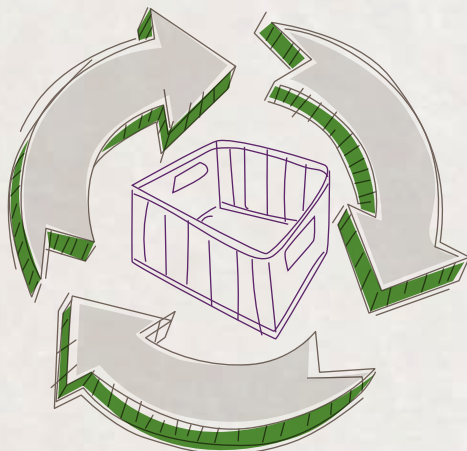
Watch this [video](#) about our new milk jug design.





120 MILLION REUSABLE PLASTIC CONTAINERS REUSED IN OUR DISTRIBUTION NETWORK

IN 2016



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 2016, we shipped **120 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 **83,670 tons of waxed and corrugated boxes**.

ZERO WASTE

RECYCLED CARDBOARD

In 2016, Kroger stores, manufacturing plants, and distribution facilities recycled more than **2.35 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 2016, our customers downloaded 1.2 billion digital coupons. Not only is it more convenient for our customers, but it also reduces paper waste! By going digital, we saved enough paper coupons to stretch **around the equator 4.6 times** if you lined them up lengthwise.

ENCOURAGING CUSTOMERS TO RECYCLE

We continue to drive our in-store plastic bag recycling program with associates and customers. In 2016, this program recycled **39 million pounds of plastic** from our stores. 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 Our Brands 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 our stores.



ZERO WASTE

38.1
Million Reusable
BAGS SOLD IN 2016



39
MILLION
POUNDS
IN 2016



RECYCLING

277
MILLION
Pounds

OF PLASTIC SINCE 2008





Construction Zero Waste

In 2016, one of Kroger's new construction projects successfully diverted nearly 100% of construction waste, even with the project including the demolition of an existing building and fuel center. By working together and planning ahead to be "zero waste," the team diverted more than 30,000 tons of construction waste from the landfill. The general contractor used a crusher to separate metal and concrete and was able to reuse the concrete for the building pad.

ZERO WASTE

MOVING TOWARD ZERO WASTE IN CONSTRUCTION

Our construction team continued to implement zero waste programs for remodels, expansions, and new stores. In 2016, 187 projects recycled items such as wood, metal, cardboard, concrete, brick and plastic. More than 180,000 tons of waste were diverted in all. Seventy-five 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 450,000 tons from the landfill.

Our goal for 2016 was for 50% of our construction projects to reach 90% or greater diversion. We achieved 40%—nearly reaching our goal. For 2017, we set the same target: 50% of construction projects reaching 90% diversion for 2017. We also set additional goals to divert 90% of total tons of construction waste, and to have 90% of construction projects participating in our Zero Waste initiative. As of June 2017, we are on track to meet these goals.

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 **38.1 million reusable bags—an average of 104,545 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.





LOGISTICS

Our Logistics team is the foundation of our supply network and is responsible for moving several million products through 42 Distribution Centers (DCs) to our more than 2,700 stores, each and every day.

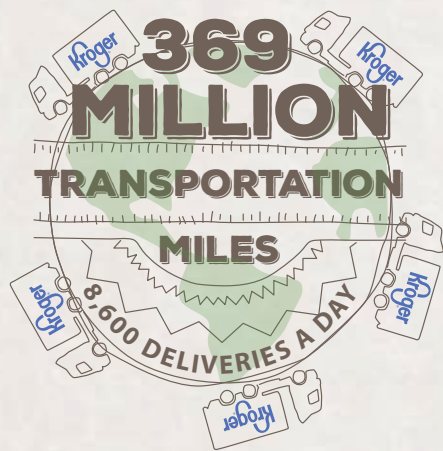
In order to meet the needs of our nearly 9 million daily customers, Kroger relies on a fleet of 3,200 tractors and 12,000 trailers. These trucks average 8,600 deliveries every day. In 2016, that meant driving the equivalent of 369 million miles across the U.S. Another way of looking at it, we drove around the earth more than 14,000 times!

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

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. For our 2020 goals, Kroger set a new Fleet Efficiency standard.

We are now 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, using 2010 as a baseline. Compared to 2010 as a baseline, we improved our TMPG by 7.5% in 2016.





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

LOGISTICS

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 2016, 85% of the miles our groceries traveled were driven on SmartWay certified tractors.



LOGISTICS

ZERO WASTE

Moving our Logistics facilities toward “zero waste” is one of Kroger’s key sustainability priorities. In 2016, Logistics launched a program to achieve zero waste at all 42 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. Through the Feeding America Perishable Donations Partnership, Logistics increased food donations by over 3 million pounds in 2016 as compared to 2015.

WATER INITIATIVE

As with our Retail and Manufacturing facilities, Kroger’s distribution centers collectively experienced a slight increase (about 5%) in water usage in 2016 when compared to 2015. This increase was largely driven by a handful of facilities that were coming online in the reporting year,

or that experienced an unusually high increase in water usage this year. When we remove the impacts of these selected facilities in our comparison, water usage increased by less than 1% between 2015 and 2016, and we feel confident we can continue decreasing water usage in the long term. And in fact, nearly 20 sites still had water savings due to efficiency and tracking measures. In 2009, Kroger implemented a program at our distribution center 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.



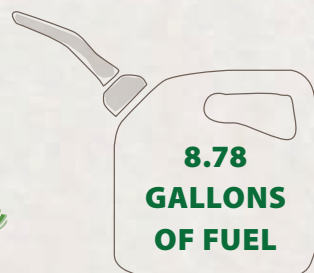
Improved by

7.5%

SINCE 2010

WHICH MEANS
THAT IN 2016
IT TOOK

Kroger



DOWN FROM 9.5
GALLONS IN 2010

Economic Impact to Communities

Economic



**\$3.6**BILLION IN CAPITAL
PROJECTS

The Kroger Co. is the largest traditional grocery retailer in the United States based on annual sales of more than \$115.3 billion and is #18 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 \$115.3 billion and is #18 on the Fortune 500 listing of the largest U.S. corporations. We employ nearly 443,000 associates. Kroger operates 2,796 grocery stores in 35 states and the District of Columbia, as well as 784 convenience stores and 319 jewelry stores. The company is the fifth-largest pharmacy operator in the United States and operates 220 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 38 manufacturing plants produce about 35% of Our Brands items sold in our stores.

We help customers save on fuel through our 1,445 retail fuel centers and 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 2016, we created 12,000 new jobs and spent over \$3.6 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 2016, we paid more than \$2.2 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

**9,941
jobs**

IN GREATER CINCINNATI
& NORTHERN KENTUCKY





443K
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 443,000 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. In 2016, 100% of eligible associates reviewed and accepted the company's Policy on Business Ethics.



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.

2016 AWARDS

Kroger recognized in the 2016 Green Rankings by *Newsweek*

Kroger ranked 18th of the 500 Largest U.S. Corporations—*FORTUNE*

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

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

Foods Co. #534 in Oakland, Calif., was recognized with a 2016 Alameda County Stop Waste Business Efficiency Award for its Perishable Donations Partnership program

Fry's received the 2016 Hunger Hero Award—*United Food Bank*

Fry's received the 2016 Hunger Hero Award—*St. Mary's Food Bank*

Fry's was recognized with the Hero for Hope Award—*Phoenix Children's Hospital*

Fry's received the Corporate Assist Award—*Phoenix Suns*

Fry's was honored with the Corporate Assist Award—*American Diabetes Association*

Harris Teeter received the Partner Award in the Special Event: Chef's Best category—*Second Harvest Food Bank of Metrolina*

Harris Teeter was recognized with the Best of Charlotte, Favorite Grocery Store Award—*The Charlotte Observer*

Harris Teeter received the Best of Mr. Pleasant, Best Grocery Store Award—*Mount Pleasant Magazine*

Harris Teeter was recognized with the 2016 Best of Cary, Best Grocery Store Award—*The Cary News*

Kroger's Columbus division received the 2016 Excellence in Employment Opportunities—*NAMI Franklin County*

Kroger's Columbus division was recognized with the Best Large Grocery Store Award—*614 Magazine*

Kroger's Columbus division received the CBSU Top Picks, Best Grocer Award—*Columbus Dispatch*

Kroger's Columbus division received the Healthiest Employer Award—*Columbus Business First*

Kroger's Columbus division was recognized with the Sustained Excellence Award—*AEP Ohio*

Kroger's Columbus division stores #548, 858, 549, 593, 128 and expansions #938, 878 received the Energy Star Design Award—*Energy Star*

Kroger's Columbus division received the 2016 Joe Wells Patriot Award—*USO of Central and Southern Ohio*

Kroger's Columbus division received the Best Sponsorship Continuity Award—*International Association of Fairs and Expositions*

Kroger's Dallas division was recognized with the Largest Corporate Team award—*Komen Dallas*

Kroger's Dallas division was honored as a Gold Sponsor—*Relay for Life*



2016 AWARDS



Kroger's Louisville division store #777's pharmacy was recognized as the Best Pharmacy—*Sentinel News*

Kroger's Louisville division received the 2016 Salvation Army Christmas Season Award—*Salvation Army*

Kroger's Louisville division was recognized as a Gold Sponsor and #3 for Fundraising—*March of Dimes*

Kroger's Louisville division received the Pinnacle Sponsor Award—*Kentucky Derby*

Kroger's Louisville division received the 2016 Harvester of Hope Award—*Second Harvest Food Bank of Middle Tennessee*

Kroger's Louisville division received the 2016 Commercial Real Estate Champion Award—*Louisville Business First*

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

Kroger's Michigan division received the Member Award for employing individuals with disabilities—*On My Own of Michigan*

Kroger's Michigan division was recognized with the Corporate Service Award for employing individuals with disabilities—*Spectrum Human Services*

Kroger's Michigan division received the Champion of Diversity Award for supporting diversity in all aspects of business—*American Arab Chamber of Commerce*

Kroger's Michigan division was recognized with the Valued Partner Award—*Michigan Milk Producers*

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

Kroger's Mid-Atlantic division was named the Best Grocery Store—*Richmond Magazine*

Kroger's Mid-Atlantic division named a Top 50 employer—*Richmond Times-Dispatch*

Kroger's Mid-Atlantic division store #343 received the Champions of Disability Employment Regional Award

Kroger's Mid-Atlantic division honored with the Campaign Chair Award—*United Way of the Roanoke Valley*

Kroger's Mid-Atlantic division received a certificate of recognition from the Ohio Department of Developmental Disabilities for participating in the 2016 State of the State Celebration and supporting individuals with development disabilities

Kroger's Mid-Atlantic division's Marietta store was honored for the team's commitment to hiring individuals with disabilities—*Ohio Department of Developmental Disabilities & Opportunities for Ohioans with Disabilities*

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

Kroger's Mid-Atlantic division was recognized with the 2016 Best Grocery Store Award—*Richmond Magazine*

Kroger's Mid-Atlantic division was recognized with the 2016 Tidewater Women Ladies' Choice Award in the Best Grocery Store Category—*Tidewater Women Magazine*

2016 AWARDS



Kroger's Mid-Atlantic division received the 2016 Best Supermarket Overall: Bronze Award—*Coastal Virginia's Magazine*

Kroger's Mid-Atlantic division was honored with the Best Grocery Store Award for their store in Charlottesville—*The News & Advance 2016 Reader's Choice Awards*

Kroger's Mid-Atlantic division was recognized for the Favorite Grocery Store in Lynchburg, Va.—*The News & Advance 2016 Readers' Choice Awards*

Kroger's Mid-Atlantic division was recognized with three *Best of Botetourt 2016 Awards*: Best Place to Buy Fresh Food: Silver; Best Place to Buy Wine: Gold; and Best Pharmacy: Silver—*Roanoke Times*

Kroger's Mid-Atlantic division was recognized with three *Best of Salem 2016 Awards*: Best Place to Buy Fresh Food: Silver; Best Place to Buy Wine: Gold; and Best Pharmacy: Bronze—*Roanoke Times*

Kroger's Mid-Atlantic division was recognized as the Best Place to Buy Wine: Gold in Southwest Roanoke County—*Roanoke Times "Best Of" Awards*

Kroger's Mid-Atlantic division was recognized with five *Best of New River Valley 2016 Awards*: Best Beer Selection: Silver; Best Grocery Store: Gold; Best Place for Organics: Bronze; Best Sushi: Bronze; and Best Wine Selection: Silver—*Roanoke Times*

Kroger's Nashville division received the Legacy Partner Award—*American Cancer Society*

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

Roundy's was recognized with the Central City Business Award—*Mobile Market*

Roundy's was honored as a Milwaukee Co. Corporate Partner—*Salvation Army*

Roundy's received the Citizens Citation Award—*City of Oak Creek*

Smith's District Manager Jake Cannon was named among the Top 40 Under 40—*Vegas Inc.*

Smith's received the Angel Award for Philanthropic Business of the Year in 2015—*Vegas Inc.*

Smith's was recognized with the 2015 Outstanding Corporation/Foundation Award—*Association of Fundraising Professionals (AFP)*

Smith's received the Keep the Dream Alive award—*Dr. Martin Luther King, Jr. Multicultural Council*

Smith's was honored with the Outstanding Community Partner Award—*American Red Cross*

Smith's received the 2016 wattsmart® Business Partner of the Year award—*Rocky Mountain Power*

2017 AWARDS TO DATE



Fry's was recognized with the 2017 Hunger Hero Award—*United Food Bank*

Harris Teeter received the Best of Mt. Pleasant, Best Grocery store Award—*Mount Pleasant Magazine*

Harris Teeter received the Best of Gaston, Best Grocery Store Award—*Gaston Gazette*

Harris Teeter was recognized with the Best of Charleston, Best Grocery Store Award—*Charleston City Paper*

Harris Teeter received the Partner Award in the Special Event: Chef's Special category—*Second Harvest Food Bank of Metrolina*

Harris Teeter received the 2017 Best of Hampton Award, Best Grocery Store: Bronze—*The Virginia Pilot*

Kroger's Dallas division was named the Best Grocery Store in 2017—*Best of Irving*

Kroger's Dallas division received the Outstanding Community Business Support award in 2017—*Frisco Family Services*

Kroger's Mid-Atlantic division was recognized with the 2017 Hall of Fame Award—*Style Weekly*

Roundy's Stefanie Galeana received the Retail Produce Manager Award—*United Fresh Produce Association*

Roundy's received a Wisconsin Partners for Clean Air Recognition Award—*Wisconsin Department of Natural Resources*

Smith's received the OUTstanding Major Corporation 2017 award—*Albuquerque Pride*



GRI CONTENT INDEX

Kroger's previous Sustainability report (2015 performance year, released in 2016) was prepared to align with the Global Reporting Initiative's G3 standard. Because this standard is now obsolete, we are in the process of transitioning to the new GRI Sustainability Reporting Standards. We aim to prepare our 2017 performance year report (to be released in 2018) "in accordance with" the new standards, and will be initiating that process in the coming months. In the meantime, we are updating our GRI Index to reflect our best possible responses to the "Core option" requirements in the new GRI 102 Standard: General Disclosures.

Disclosure Number	Disclosure Description	Page Number(s) and/or URL	Omissions
GR 102—General Disclosures (2016)			
ORGANIZATIONAL PROFILE			
Disclosure 102-1	Name of the organization	<u>2017 Proxy Statement and 2016 Annual Report</u>	
Disclosure 102-2	Activities, brands, products, and services	<u>2017 Proxy Statement and 2016 Annual Report</u>	
Disclosure 102-3	Location of headquarters	<u>2017 Proxy Statement and 2016 Annual Report</u>	
Disclosure 102-4	Location of operations	<u>2017 Proxy Statement and 2016 Annual Report</u>	
Disclosure 102-5	Ownership and legal form	<u>2017 Proxy Statement and 2016 Annual Report</u>	
Disclosure 102-6	Markets served	<u>2017 Proxy Statement and 2016 Annual Report</u>	
Disclosure 102-7	Scale of the organization	<u>2017 Proxy Statement and 2016 Annual Report</u>	
Disclosure 102-8	Information on employees and other workers	Total employees in 2016 were 443,000, of which 51% were female.	
Disclosure 102-9	Supply chain	<u>2016 Fact Book</u>	
Disclosure 102-10	Significant changes to the organizations and its supply chain	<u>2017 Proxy Statement and 2016 Annual Report</u>	
Disclosure 102-11	Precautionary principle or approach	Our Sustainability Report discusses our risk management approach in our supply chain: http://sustainability.kroger.com/supply-chain-quality-and-corporate-brands-manufacturing-standards.html . In our own operations, Kroger uses multiple risk management protocols to reduce risk to our employees, customers and the communities we serve. We strive to be innovative in our approach to managing and reducing our environmental impacts, such as testing new technologies, to ensure that we are being comprehensive and impactful in our efforts.	
Disclosure 102-12	External initiatives	Kroger uses a variety of external initiatives to shape our environmental and social programs, including third-party product certifications (e.g., The Rainforest Alliance, Fair Trade USA), animal welfare standards and audit protocols (e.g., those endorsed by the Food Marketing Institute and Grocery Manufacturers Association), government environmental programs and partnerships (e.g., Energy Star, WasteWise, Zero Waste), and environmental management philosophies (e.g., EPA's Food Recovery Hierarchy).	
Disclosure 102-13	Membership of associations	Kroger is a member of several prominent trade organizations including the Consumer Goods Forum, the Food Marketing Institute, and the Retail Industry Leaders Association.	
STRATEGY			
Disclosure 102-14	Statement from senior decision-maker	<u>Letter from the Chairman and CEO</u>	

GRI CONTENT INDEX

Disclosure Number	Disclosure Description	Page Number(s) and/or URL	Omissions
GR 102—General Disclosures (2016)			
ETHICS AND INTEGRITY			
Disclosure 102-16	Values, principles, standards, and norms of behavior	Kroger uses multiple policies and codes to ensure our associates, customers and suppliers are safe, treated fairly and protective of human health and the environment. Several of these are provided here: http://www.thekrogerco.com/news-room/statements-policies , notably our Policy for Business Ethics (for associates) and Supplier Code of Conduct (for suppliers). Our work is also guided by our Kroger Values. Read more at http://thekrogerco.com/about-kroger/values .	
GOVERNANCE			
Disclosure 102-18	Governance structure	2017 Proxy Statement and 2016 Annual Report	
STAKEHOLDER ENGAGEMENT			
Disclosure 102-40	List of stakeholder groups	Kroger engages with a long, comprehensive list of stakeholders to inform how we do business and how we can be a responsible corporate citizen. This includes but is not limited to: associates, trade unions, customers, suppliers, NGOs, investors and shareholders, and the local communities we serve. This sustainability report (sustainability.kroger.com) provides significant information about how we engage these stakeholders.	
Disclosure 102-41	Collective bargaining agreements	2017 Proxy Statement and 2016 Annual Report ; 2016 Fact Book	
Disclosure 102-42	Identifying and selecting stakeholders	Kroger identifies stakeholder groups based on their relevance to the company's business operations, both now and in the future. Groups like associates, shareholders, customers and suppliers are critical to keeping our business running successfully every day; other groups like shareholders, local communities and NGOs are critical for shaping our vision, strategy and initiatives into the future. We choose groups and individuals that can inform our strategy and programs in a productive, meaningful and collaborative manner.	
Disclosure 102-43	Approach to stakeholder engagement	Our approach to engaging stakeholders depends on the audience. In some cases, we launch long-term partnerships to drive enduring industry change, such as our relationships with Feeding America, the USO and World Wildlife Fund. In other cases, we engage stakeholders in shorter-term ways to share and capture information efficiently (e.g., recall information, customer comment phone line). Certain stakeholders Kroger engages with on an ongoing basis (e.g., associate communications); others, we engage periodically (e.g., annual shareholder meeting). We use a wide range of engagement methods, such as meetings, surveys, e-newsletters, websites and many others.	
Disclosure 102-44	Key topics and concerns raised	The topics and concerns raised depend on the stakeholder group. The programs and examples shared in this report reflect many of the topics we have discussed historically and continue to discuss with key stakeholders. We also address concerns via our responses to shareholder proposals. Kroger's 2017 Proxy Statement and 2016 Annual Report provides information on several topics, including renewable energy, sustainable packaging and deforestation.	

GRI CONTENT INDEX

Disclosure Number	Disclosure Description	Page Number(s) and/or URL	Omissions
GR 102—General Disclosures (2016)			
REPORTING PRACTICE			
Disclosure 102-45	Entities included in the consolidated financial statements	<u>2017 Proxy Statement and 2016 Annual Report</u>	
Disclosure 102-46	Defining report content and topic boundaries	Kroger's sustainability leaders and internal and external stakeholders help determine the scope of the Sustainability Report. We work with these leaders and Kroger subject matter experts 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.	
Disclosure 102-47	List of material topics	For this report, Kroger has identified several material topics relevant to social, environmental, economic and governance issues and trends. These topics are grouped as follows: associates, community, supply chain, environment and economic, and are summarized in the Table of Contents of our downloadable report PDF available at <u>sustainability.kroger.com</u> .	
Disclosure 102-48	Restatements of information	Kroger's carbon footprint data is adjusted to add Roundy's into 2016 and earlier years.	
Disclosure 102-49	Changes in reporting	Kroger is in process of transitioning from the GRI G3 standard to the GRI Sustainability Reporting Standards. Populating this GRI Index with the best possible answers is a first step in this process, and we intend to report "In Accordance With—Core" in the next reporting cycle.	
Disclosure 102-50	Reporting period	January 31, 2016–January 28, 2017	
Disclosure 102-51	Date of most recent report	Sustainability report covering 2015 performance year was released in Summer 2016.	
Disclosure 102-52	Reporting cycle	Annually	
Disclosure 102-53	Contact point for questions regarding the report	Jessica Adelman, Group Vice President, Corporate Affairs, 1014 Vine Street, Cincinnati, OH 45202	
Disclosure 102-54	Claims of reporting in accordance with the GRI Standards	We are not reporting "in accordance with" the GRI Sustainability Reporting Standards for this report. However, we are in the process of transitioning to the new standards, and aim to report "in accordance with" for the 2017 performance year report (to be released in summer 2018).	
Disclosure 102-55	GRI content index	Provided in the downloadable report PDF on <u>sustainability.kroger.com</u> .	
Disclosure 102-56	External assurance	None	



INCREASE RESPONSIBLE SOURCING

GOAL	TARGET YEAR (baseline if relevant)	PROGRESS
100% SUSTAINABLE SEAFOOD		
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, by 2020.	2020	Kroger is currently sourcing 86% of our wild-caught fresh and frozen species by volume under these criteria. Kroger will continue to work with WWF to support its FIP program through funding, sourcing and supplier engagement. Read more.
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.	2020	Kroger is currently sourcing 69% of our total volume from MSC-certified fisheries. We will continue to work with WWF to support FIPs through funding, sourcing and supplier engagement. Read more.
By 2020, all Our Brands canned tuna will state the tuna is sourced from International Sustainable Seafood Foundation (ISSF) participating companies.	2020	We believe we will accomplish this goal in 2018. Read more.
For farmed species that are corporately procured, we will source 100% in accordance with the Global Aquaculture Alliance's Best Aquaculture Practices (BAP) Four-Star certification by 2020.	2020	We are currently in the process of assessing progress toward this updated goal. We continue to source 100% of Our Brands farm-raised seafood from BAP Level 2 sources (per our earlier commitment). Read more.
CAGE-FREE EGGS		
Kroger's goal is to transition to a 100% cage-free egg supply chain by 2025.	2025	Currently, about 18% of our total egg sales are cage-free eggs. We continue to work with our egg suppliers to increase the availability of cage-free eggs in our supply chain. Read more about our animal welfare initiatives.
HIGH-IMPACT COMMODITY REVIEW		
Identifying and Addressing High-Impact Commodities Kroger will partner with The Sustainability Consortium to assess key commodities using their commodity mapping tool, which is designed to help identify and further understand social and environmental risks in upstream commodities.	Ongoing	As part of this initiative, we are evaluating risks such as water scarcity, biodiversity and child labor in the supply chain. This has two elements, one being using the TSC's commodity mapping tool in combination with Kroger's sourcing data to identify geographic, environmental and social risks for top high-impact commodities, and the other being outreach to key suppliers to gain increased visibility into their specific supply chains on risk management and other metrics. This work continues in 2017. Read more.



INCREASE RESPONSIBLE SOURCING

GOAL	TARGET YEAR (baseline if relevant)	PROGRESS
PALM OIL		
By the end of 2015, Kroger will purchase 100% of palm oil from suppliers certified by the Roundtable on Sustainable Palm Oil (RSPO).	2015	Achieved! At the end of 2015, Kroger achieved its goal to source 100% Certified Sustainable Palm Oil (CSPO) from a mass balance supply chain for Our Brands products that we manufacture. We continue to work with suppliers to maintain the integrity of this commitment. Read more.
100% DAIRY FARMS ENROLLED IN F.A.R.M.		
All dairy farms providing milk to Kroger manufacturing plants will be enrolled and in good standing in the National Dairy Farmers Assuring Responsible Management (F.A.R.M.) program.	Ongoing	Achieved! 100% of dairy farms are currently enrolled in F.A.R.M. Read more.
ZERO TOLERANCE FOR HUMAN RIGHTS VIOLATIONS		
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. Kroger is working to ensure an ethical supply chain for the products sold in our stores. We have a zero tolerance policy for violations of our vendor code of conduct.	Ongoing	In 2015, Kroger expanded its social compliance staff. We audit 100% of international suppliers of Kroger branded, unbranded and direct import products. From 2014 to 2016, we expanded the number of social compliance audits by 159%. Read more.



ENVIRONMENT: INCREASE ECO-STEWARDSHIP

GOAL	TARGET YEAR (baseline if relevant)	PROGRESS
ZERO WASTE		
Kroger aims to ultimately meet and exceed EPA's Zero Waste threshold of 90% diversion from landfill in our facilities by 2020.	2020	In 2016, Kroger reached a diversion rate of 78% across its operations, up from 70% in 2015. Read more.
Source Reduction Continue to integrate Reusable Plastic Containers (RPCs) into our network to reduce waste in the first place as well as test new technologies that reduce waste in the supply chain.	2020	In 2016, Kroger shipped 120 million RPCs of fresh produce to our stores, an increase of 13% from 2015. Read more.
Feeding People <ul style="list-style-type: none"> Continue to expand eligible foods into the Perishable Donations Partnership (PDP). Implement PDP programs in Kroger family of stores distribution centers. Continue to train associates and collaborate with local food banks. 	2020	<ul style="list-style-type: none"> Kroger stores donated 69 million pounds of food through the PDP, up 23%. Logistics increased food donations by over 3 million pounds in 2016. Read more here and here .
Feeding Animals In both our plants and retail locations, Kroger will continue to expand animal feed processes that allow us to donate safe and nutritious food scraps to animals, where feasible.	2020	In 2016, 164,000 tons of food waste was recycled and diverted to animal feed, industrial uses and composting, up 4% from 2015. Of this amount, 62,374 tons went to animal feed outlets. Read more.
Industrial Uses In California, Kroger's innovative Food Recovery System converts food waste and dairy plant effluent into renewable energy through anaerobic digestion. Kroger will continue to look for opportunities to leverage this technology elsewhere. Kroger and the Innovation Center of U.S. Dairy have entered into a collaboration to study the feasibility of locating anaerobic digesters on dairy farms that can process Kroger food waste along with manure.	2020	Kroger continues to operate its anaerobic digester in Compton, Calif., and is currently constructing an anaerobic wastewater treatment plant at our KB Specialty Foods manufacturing facility in Greensburg, Ind., to replace an aging wastewater treatment plant. Like our first digester, this one will also provide energy to power our facility. Read more.
Composting In retail locations, we will continue to expand composting operations that provide nutrients back to our environment, where feasible.	2020	In 2016, associates in 1,445 Kroger-operated stores recycled organics, up from 1,190 stores in 2015. Read more.



ENVIRONMENT: INCREASE ECO-STEWARDSHIP

GOAL	TARGET YEAR (baseline if relevant)	PROGRESS
ZERO WASTE		
Plastic Recycling Kroger will recycle over 200 million pounds more plastic by the end of 2020, from a baseline of 2016.	2020 <i>(2016 baseline)</i>	In 2016, Kroger recycled 68 million pounds of plastic across our operations. We will continue to expand our plastic recycling capabilities and efforts moving forward. Read more.
Cardboard Recycling Kroger will recover over 3.3 billion tons of cardboard annually by the end of 2020.	2020	Kroger recycled 2.35 billion pounds of cardboard across our company in 2016, on track to exceed our goal by 2020. Read more.
Construction Sites Our goal was to have 50% of new stores and remodels achieve zero waste in 2016.	2016	In 2016, 40% of new stores and remodel projects achieved zero waste, solid progress but below our goal of 50%. To accelerate progress toward our zero waste targets, Kroger has set new goals for construction waste reduction in 2017: <ul style="list-style-type: none"> • Recycle at least 90% of total waste generated. • 90% or more of construction projects to participate in the zero waste initiative. • 50% or more of construction projects to achieve zero waste. Read more.
100% OUR BRANDS PACKAGING OPTIMIZATION		
By 2020, Kroger will optimize packaging in Our Brands products by following a balanced, multi-pronged approach that considers design attributes including but not limited to food safety, shelf life, availability, quality, material type and source, function recyclability and cost.	2020	Kroger is working on multiple projects to achieve these packaging goals for Our Brands. In each case, our team is identifying and evaluating opportunities and creating action plans for 2017 and beyond, with longer-term targets for 2020. We will continue to share progress as we move forward. One significant achievement is our source reduction project for Our Brands one-gallon milk jugs. Kroger's packaging engineers designed a new milk jug that uses 10% less plastic, maintains the same performance and is 100% recyclable. So far, three Kroger dairies are producing milk with this new design. By the end of our conversion in 2018, we will save about 5 million pounds of plastic per year! In total, Kroger has eliminated 2.8 million pounds of plastic by 2016, and we anticipate reaching 9.8 million pounds of plastic by the end of 2018.
Responsible Sourcing Increase certified virgin fiber sourcing from well-managed forests. Kroger will accept the Forest Stewardship Council (FSC), Sustainable Forest Initiative (SFI), and Programme for the Endorsement of Forest Certification (PEFC) for paperboard packaging.		
Increase Recycled Content Kroger will utilize at least 20% post-consumer recycled content in its packaging for Our Brands manufactured products.		



ENVIRONMENT: INCREASE ECO-STEWARDSHIP

GOAL	TARGET YEAR (baseline if relevant)	PROGRESS
100% OUR BRANDS PACKAGING OPTIMIZATION		
Stakeholder Communication Kroger is committed to enabling customer sustainability and increasing the recyclability communication on all applicable Our Brands packaging by 2020. We forecast that each year we will triple the amount of products that have our PLEASE RECYCLE directive and chasing arrows symbol on our products' packaging labels.	2020	Separately, we worked with our suppliers to make Our Brands water bottles lighter, eliminating about 5 million pounds of plastic so far. We continue to identify many other projects to reduce packaging at the source and promote sustainable packaging across our operations. Read more.
Increase Recyclability Through the design optimized process, Kroger will strive to increase the recyclability of Our Brands manufactured plastic packaging.		
Packaging Reduction We will reduce the amount of plastic resin by 10 million pounds for Kroger manufactured products cumulatively by 2020, using a 2015 baseline.		
Support Recycling Infrastructure Expansion Kroger will support the expansion of infrastructure to increase the availability and accessibility of recycling for Our Brands packaging through industry, governmental and non-governmental forums, where feasible.		
CARBON REDUCTION		
Transportation Efficiency Kroger will improve our Ton Miles Per Gallon (TMPG) by 20% by 2020, using a 2010 baseline.	2020 (2010 baseline)	As of 2016, Kroger has improved our TMPG by 7.5% since 2010. Read more.
Refrigerant Leaks Kroger committed to reduce refrigerant leaks by 9% in its stores by 2016, as part of the EPA's GreenChill Program.	2016 (2015 baseline)	Achieved! In 2016, Kroger achieved its goal to reduce refrigerant emissions by 9%. We set a new goal to achieve an additional 10% reduction in refrigerant emissions in 2017. Read more.
Energy Consumption Kroger will reduce cumulative energy (electricity) consumption by 40% by 2020, using 2000 as a baseline year.	2020 (2000 baseline)	By 2016, Kroger achieved a 34.85% reduction in energy consumption using a 2000 baseline. Read more.
Water Consumption Kroger will reduce water consumption by 5% by 2020 in its supermarkets, using 2015 as a baseline year.	2020 (2015 baseline)	Kroger is still assessing progress against this goal, and will share an update when it is available. Read more.