



# SHARING OUR VALUE



2021  
Environmental, Social  
and Governance Report

# Welcome to Our ESG Report

We are pleased to share this report on key environmental, social and governance (ESG) topics with our associates, customers, communities, shareholders, suppliers, non-governmental organizations (NGOs) and others.



A cross-functional Kroger team of sustainability, business and functional leaders oversees the company's management approach to, and performance on, ESG topics. This report marks the launch of our newly formalized ESG strategy, which highlights our focus on driving positive impact for People, Planet and Systems.

Details on our management approach to ESG topics can be found throughout this report. Additional details on key topics are also available online at [www.thekrogerco.com](http://www.thekrogerco.com).

Read more about how we align impact philanthropy and investing to our ESG strategy through corporate giving, [The Kroger Co. Foundation](#) and [The Kroger Co. Zero Hunger | Zero Waste Foundation](#).

## Report Scope

This report covers the Kroger family of companies' 2020 fiscal year, which ran from February 3, 2020, to February 1, 2021. Unless otherwise noted, data included in the report reflects this time period. This ESG Report incorporates most of our operations, except for certain datasets where we are still integrating banners from more recent mergers into our tracking systems. Where appropriate, we note the scope of specific performance tracking in the relevant report section.

## Reporting Frameworks

The content in this report has been prepared with reference to select portions of the [Global Reporting Initiative \(GRI\) Standards](#). We leveraged the same principles for defining report content as in earlier years—such as stakeholder inclusiveness and materiality—as well as discussion of our management approach and several relevant topic-specific disclosures.

Kroger is a member of the Standards Advisory Group (Food & Beverage Sector) for the [Sustainability Accounting Standards Board \(SASB\) standards](#). Volunteer industry experts are appointed to advise on issues that should be considered in the standards development process. To review our disclosures against the Food Retailers & Distributors Standard, refer to our [SASB Index](#) at the end of this report. We strive to increase Kroger's SASB-aligned disclosures over time.

In addition, Kroger is highlighting how our management approach aligns with the Task Force on Climate-related Disclosures (TCFD) framework.

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# Q&A

## With Rodney McMullen, Chairman and CEO

I am pleased to share Kroger's 2020 progress on the ESG topics that matter to our Company and stakeholders. As I reflect on the past year, I am so proud of how Team Kroger rose to meet every challenge and be there for our Customers when they needed us most. I'm incredibly thankful for our Associates' continued dedication and service. More than ever before, we are deeply committed to Our Purpose—to Feed the Human Spirit™—and to advancing our Zero Hunger | Zero Waste social and environmental impact plan to create a better future for people and our planet.

### What are the key business learnings from 2020?

This past year presented challenges that none of us could have predicted. Our priority—then and now—is the health and safety of our Associates, Customers and Communities. Despite the obstacles in 2020, Kroger continued to make progress on our ESG strategy and long-term targets. The Kroger team always shines during difficult times, and we continue to do so as we navigate each phase of the COVID-19 pandemic. We learned how quickly we can adapt our team, resources and modalities to serve our Customers, no matter how they need or want to shop with us.

### How did 2020 change the way Kroger approaches ESG issues?

The past year confirmed Kroger's unique role in advancing positive impacts for people, our planet and the complex global systems on which we all depend. 2020 also demonstrated the relevance of Kroger's leading Zero Hunger | Zero Waste social and environmental impact plan. We are humbled by and grateful for the opportunity to lead meaningfully at such a challenging and pivotal moment in our shared history. Going forward, we will help create a more equitable, sustainable and resilient global food system and supply chain.

### How is Kroger continuing to support Associates and Communities?

Kroger directed more than \$2.5 billion to support and safeguard our Associates, Customers and Communities during the pandemic, including committing nearly \$1 billion to better secure pensions for more than 30,000 Associates. We continue to provide support by offering personal protective equipment (PPE), social distancing precautions in stores, COVID-19 vaccines and vaccination clinics, COVID-19 testing, pharmacy and retail clinic services, and mental health, telehealth and telenutrition services.

### How is Kroger working toward racial equity?

Diversity and inclusion are among Kroger's long-standing Values. In 2020, amid renewed calls for social justice, we were inspired to accelerate our path forward and introduce our [Framework for Action: Diversity, Equity & Inclusion](#). This 10-point plan captures the next steps in our expanded commitment to advance progress across the company.

### What drove the formalization of Kroger's ESG strategy? Why now?

Kroger's ESG strategy is the next evolution of a journey that started decades ago with energy efficiency and waste reduction initiatives. With this report, we share our final progress on Kroger's 2020 Sustainability Goals and look ahead to what's next. Our ESG strategy reflects what we've learned, what we will achieve by living Our Purpose, and how we will create a world where we are truly *Thriving Together*.



**Rodney McMullen**

Kroger's Chairman and Chief Executive Officer

# About Kroger



Read more about Kroger and our consolidated subsidiaries in our [2020 Fact Book](#).

As America's favorite grocer, Kroger is committed to delivering fresh food at affordable prices, redefining the customer experience and giving back to our communities. We believe that no matter who you are or where you live, you deserve affordable, fresh, healthy food. This idea is embodied in a simple tagline—Fresh for Everyone™—that represents our egalitarian brand and underscores our commitment to our customers.

In fulfilling Our Purpose—to Feed the Human Spirit—we always live by Our Values:

## Honesty

We insist on truthfulness with each other, with our customers, with our vendors and in our business records. We expect and value openness.

## Integrity

We act in accordance with Our Values, even when it's difficult.

## Diversity

We seek and embrace differences in the backgrounds, cultures and ethnicities of all associates, customers and vendors.

## Inclusion

We encourage and expect collaboration, teamwork and the active involvement of all associates.

## Safety

We protect our customers and each other from injury with a safe and secure workplace and shopping environment.

## Respect

We treat all with dignity and value the opinions and perspectives of others.

**2,742**

retail supermarkets

**34**

manufacturing plants operated by the Kroger family of companies

**45**

distribution centers

**60M**

households served annually

**\$132.5B**

total 2020 sales

**179M**

square feet of supermarket space

M = million  
B = billion



# Our Approach to ESG



**Kroger's objective is to achieve lasting positive change for billions of people and for our planet by 2030. To do this, we are building a shared-value ESG framework that will unlock greater business value as we work collectively to create more resilient, equitable and sustainable systems.**

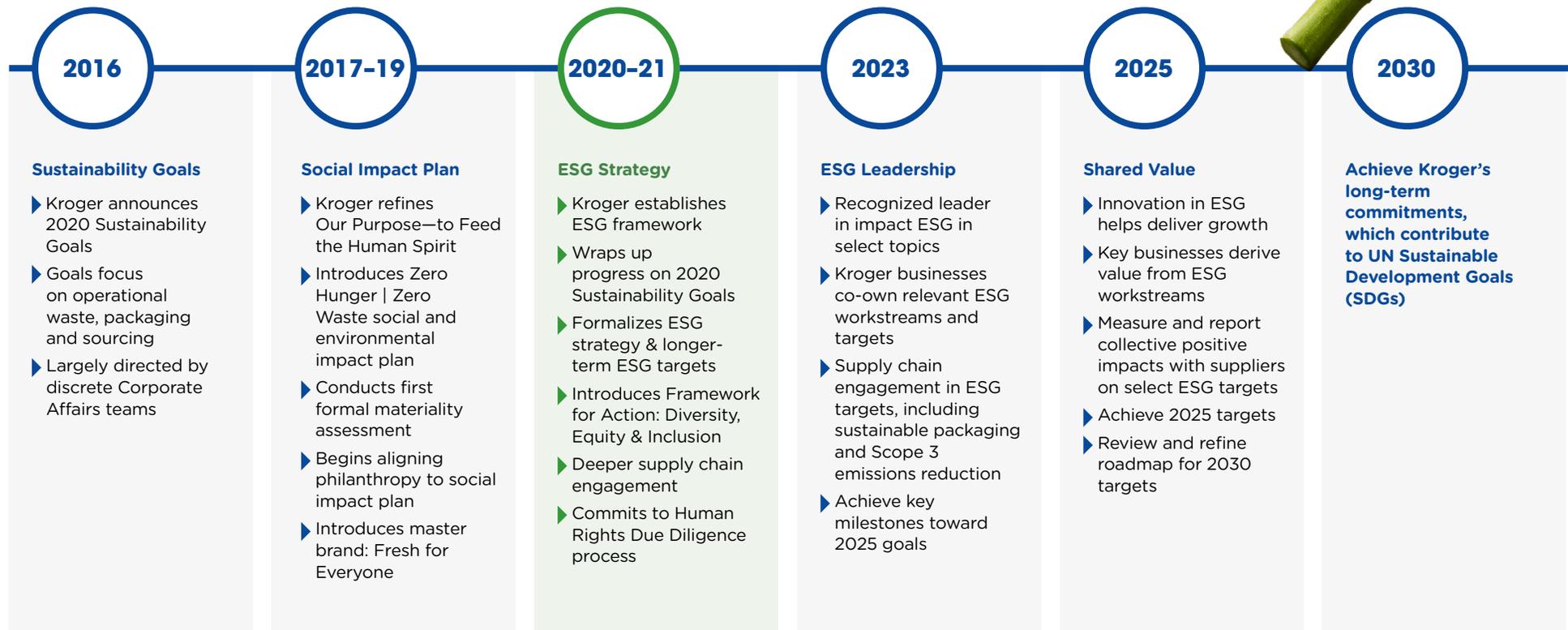
## Our Journey

Our roadmap to achieving long-term sustainability and social impact commitments began decades ago. More recently, we formalized our approach with the announcement of our 2020 Sustainability Goals and the introduction of our

Zero Hunger | Zero Waste social and environmental impact plan. Kroger's evolution to a 10-year ESG strategy and greater ESG leadership are the next steps on our journey to delivering shared value—to the business and our stakeholders.

Over time, we continue to more deeply understand and embrace Kroger's unique role and responsibility as a food and consumer goods retailer. We strive to lead responsibly across a broad portfolio of topics, integrate ESG accountability within lines of business and derive financial value in opportunities that create a more sustainable future for all.

## The Roadmap for Our Journey



# ESG Strategy: Thriving Together

We imagine a world where everyone is *Thriving Together*. The objective of our ESG strategy is to achieve lasting positive impacts through a shared-value framework that benefits people and our planet and creates more resilient systems for the future.

The centerpiece of Kroger's ESG strategy is our Zero Hunger | Zero Waste social and environmental impact plan. Introduced four years ago, Zero Hunger | Zero Waste is an industry-leading platform for collective action and systems change at global, national and local levels.

Our strategy aims to address ESG topics of importance to our business and to our associates, customers and communities. These topics align to three strategic pillars: People, Planet and Systems.

To address the complex issues most relevant to our business, we continue to learn from internal and external stakeholders through the [materiality assessment process](#) and ongoing engagement.

## People: Help billions live healthier, more sustainable lifestyles

### Food Access, Health & Safety

Kroger's brand promise, Fresh for Everyone, reflects our priorities around **food and product safety, food access, and health and nutrition**. Protecting our associates' **health and safety** and providing the best **customer experience** are also critical elements of our approach.

### Just & Inclusive Economy

Offering access to employment, benefits and more; providing career paths that **attract and retain talent**; and fostering a culture of **diversity, equity and inclusion** for all.

## Systems: Build more responsible and inclusive global systems

### Business Integration

Strong **ESG governance** and a commitment to **ethics and compliance** help build trust and promote the long-term interests of our stakeholders. Our responsibilities include **data privacy and cybersecurity** and adopting **responsible marketing** practices.

### Responsible & Resilient Systems

Our efforts to improve environmental and social impacts throughout our global supply chain include **responsible sourcing, supply chain accountability** and a holistic commitment to respecting **human rights**.



## Planet: Protect and restore natural resources for a brighter future

### Climate Impact

Reducing **climate impact** and supporting the transition to a lower-carbon economy by investing in energy efficiency and renewable energy and by reducing food waste and refrigerant emissions.

### Resource Conservation

Kroger committed to achieve zero **food waste** to landfill company-wide by 2025, and we also focus on achieving zero **operational waste**, offering more sustainable **packaging** and optimizing **water** use.

# Goals Performance

Having reached the end of our 2020 Sustainability Goals reporting period, we are now looking to what lies ahead. By engaging key stakeholders, subject matter experts and internal business owners, we established new long-term commitments and goals to advance Kroger's sustainability leadership through the next decade.



Goal	2018	2019	2020	Baseline	Target Year	Status
<b>Zero Hunger   Zero Waste</b>						
<b>Total Meals:</b> Increase cumulative total of meals directed to our communities (food and funds)						
1 billion meals (2017-2019); 3 billion meals (2017-2025)	641M	1.1B	1.8B	2017	2020 - 2025	On track
<b>Surplus Food:</b> Improve management of surplus food company-wide						
Optimize recovery of surplus food for donation through Kroger's Zero Hunger   Zero Waste Food Rescue program	100M pounds	101M pounds	90M pounds*	2017	2025	On track
Strive for 100% of retail stores to participate in food rescue every year	97%	98%	93%*	2017	2025	On track
Increase retail donations of fresh Produce, Deli and Dairy items to be 45% of total food rescue	26%	29%	37%	2017	2025	On track
<b>Philanthropy:</b> Strategically optimize giving to hunger relief partners as share of total company-wide charitable giving (total of food and funds)						
Increase The Kroger Co. Foundation grant-making to advance Zero Hunger   Zero Waste, racial equity and other focus areas	\$6.1M	\$10.5M	\$16.4M	2017	2025	On track
Establish The Kroger Co. Zero Hunger   Zero Waste Foundation and Innovation Fund; increase national and local grants to accelerate positive impact	-	\$10M	\$16.5M	2017	2025	On track
<b>Wages &amp; Benefits:</b> Provide solid wages and good quality, affordable health care and retirement benefits						
Invest \$500 million in cumulative associate compensation and benefits through <i>Restock Kroger</i>	\$216M	\$508M	\$798M	2017	2020	Achieved
Increase average retail hourly wages and benefits over time	\$14.40/hour; \$18/hour including benefits	\$15/hour; \$20/hour including benefits	\$15.50/hour; Over \$20/hour including benefits	2017	2020	On track

M = million B = billion

\*Reflects pandemic-related disruptions in surplus food recovery

√ Extending goal

○ Did not achieve

🔍 Area of focus

📈 On track

📈 Significant Progress

✅ Achieved

🏆 Achieved ahead of schedule

People

Planet

Goal	2018	2019	2020	Baseline	Target Year	Status
<b>Just &amp; Inclusive Economy</b>						
<b>Framework for Action: Diversity, Equity &amp; Inclusion:</b> Achieve commitments to create a more inclusive culture						
Create DE&I Advisory Council to advance our long-term DE&I commitments	-	-	Completed	-	2020	✓
100% of leaders participate in Unconscious Bias training	-	-	96%	-	2020	✓
100% of associates participate in Inclusion training in 2021	-	-	Will report in 2022	-	2021	→ ✓ →
Increase annual spend with inclusive suppliers to \$10 billion	\$3B	\$3.4B	\$4.1B	-	2030	→ ✓ →
Deploy funds to advance social justice through The Kroger Co. Foundation's \$5 million Racial Equity Fund	-	-	\$3M	-	2025	→ ✓ →
<b>Food Waste</b>						
Reduce total food waste generated in our retail supermarkets by 50% cumulatively from our 2017 baseline (cumulative reduction; annual tons generated)	9.3% 301,282 tons	13% 288,966 tons	19.3% 268,248 tons	2017	2025	→ ✓ →
Achieve 95% retail food-waste diversion	39.7%	44.7%	48.3%	2017	2025	→ ✓ →
Strive for 95% or more of retail stores participating in food waste recycling programs	74% (2,039 stores)	76% (2,120 stores)	87% (2,407 stores)	2017	2025	→ ✓ →
<b>Operational Waste</b>						
Company-wide, meet and exceed the zero waste threshold of 90% diversion from landfill	76%	80%	81%*	2016	2020 <sup>v</sup>	○ ○
Recycle over 200 million pounds more plastic cumulatively since 2016	137.4M pounds	191.1M pounds	248.9M pounds	2016	2020	✓
Continue to integrate reusable plastic containers (RPCs) into our network and test new technologies that reduce waste in the supply chain	160M RPCs	123M RPCs	197M RPCs	2016	2020	✓
Recover over 3.3 billion pounds of cardboard annually	1.5B pounds	1.6B pounds	1.7B pounds	2016	2020	○ ○
Achieve zero waste in 50% of new store and remodel construction projects	40%	54%	64%	2019	2020	✓
Phase out single-use plastic shopping bags. Phaseout commitment is in addition to any existing and future legislation for plastic bags	-	QFC division phaseout complete	Developing roadmap*	2018	2025	→ ✓ →

M = million B = billion

\*Reflects pandemic-related disruptions

✓ Extending goal

○ Did not achieve

○ Area of focus

→ ✓ → On track

✓ Significant Progress

✓ Achieved

✓ Achieved ahead of schedule



Goal	2018	2019	2020	Baseline	Target Year	Status
<b>Water</b>						
Achieve a 3% annual reduction in water consumed per unit produced in our plants	3.44% ↑	1.7% ↓	3.43% ↓	2019	2020	✓
<b>Packaging</b>						

Optimize *Our Brands* product packaging in the following ways:

**2020 Sustainable Packaging Goals—*Our Brands*-manufactured products**

Reduce plastic resin by 10 million pounds cumulative	9.8M pounds	10.1M pounds	15.1M pounds	2015	2020	✓
Use at least 20% post-consumer recycled (PCR) content	-	-	5%	2016	2020	🔍
Increase communication about recyclability on all applicable packaging (no. items labeled “Please Recycle”)	1,830+ items	3,000+ items	4,800+ items	2016	2020	✓
Increase certified virgin fiber from well-managed forests for paperboard packaging (% certified)	-	80%	74%	2016	2020	✓
Increase the recyclability of plastic packaging	Read more in <a href="#">Packaging</a> section			2016	2020	✓
Support the expansion of infrastructure to increase the availability and accessibility of recycling for <i>Our Brands</i> product packaging	Read more in <a href="#">Packaging</a> section			2016	2020	✓

**2030 Sustainable Packaging Goals—All *Our Brands* products**

Complete a baseline product packaging footprint to fully understand current packaging impacts	Reporting to commence in 2022 ESG Report			2020	2030	-
Seek to achieve 100% recyclable, compostable and/or reusable packaging	Reporting to commence in 2022 ESG Report			2020	2030	-
Product portfolio collectively contains at least 10% recycled content in packaging	Reporting to commence in 2022 ESG Report			2020	2030	-
Reduce unnecessary packaging	Reporting to commence in 2022 ESG Report			2020	2030	-
Increase awareness among Kroger customers about how to properly manage product packaging at end of life	Reporting to commence in 2022 ESG Report			2020	2030	-

M = million B = billion

✓ Extending goal
○ Did not achieve
🔍 Area of focus
➡️ On track
📈 Significant Progress
✓ Achieved
🏆 Achieved ahead of schedule



Goal	2018	2019	2020	Baseline	Target Year	Status
<b>Climate Impact</b>						
Achieve a 30% cumulative reduction in greenhouse gas emissions (GHGs) (metric tons CO <sub>2</sub> e)	Baseline 5,774,060 MTCO <sub>2</sub> e	3.4% ↑ 5,967,865 MTCO <sub>2</sub> e	8.6% ↓ 5,275,845 MTCO <sub>2</sub> e	2018	2030	
Improve our ton miles per gallon (TMPG) by 20%	10.21%	10.84%	15.47%	2010	2020	
Achieve a 3% annual reduction in electricity consumed per unit produced in our plants	0.36% ↓	2.47% ↑	5.26%* ↓	2019	2020	
Achieve a 3% annual reduction in natural gas consumed per unit produced in our plants	4.95% ↑	3.12% ↑	5.49%* ↓	2019	2020	
Achieve a 10% annual reduction in refrigerant leakages in our retail stores	0%	0%	10%	2019	2020	
<b>Responsible Sourcing**</b>						
Source 100% of 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 Global Sustainable Seafood Initiative (GSSI)-recognized programs	88%	88%	86%	2016	2020v	
Preferentially source MSC-certified wild-caught seafood and source at least 90% of volume from fisheries that are MSC certified	75%	71%	72%	2016	2020v	
Source 100% of farm-raised seafood from farms that are Best Aquaculture Practices (BAP) 2-Star or greater certified, Aquaculture Stewardship Council (ASC) certified or GLOBAL.G.A.P. certified	89%	96%	98%	2016	2020v	
Source 100% of shelf-stable tuna from companies aligned with the International Seafood Sustainability Foundation (ISSF)	100%	100%	100%	2016	2020v	
Source 20% of <i>Our Brands</i> shelf-stable tuna from fisheries that are MSC certified	Reporting to commence in 2022 ESG Report			2020	2025	-
Transition to a 100% cage-free egg supply chain (% shell eggs that are cage-free)	23.3%	23.1%	24.9%	-	2025	
Source 100% of fresh pork from suppliers and farms that have transitioned away from gestation crates (% of supply chain not using gestation crates for at least part of pregnancy)	38%	43%	51%	-	2025	

M = million B = billion

\*Per-unit decrease partially driven by increased production tonnage due to pandemic-related demand

\*\*Data reflects calendar year

✓ Extending goal

○ Did not achieve

🔍 Area of focus

➡️ On track

📈 Significant Progress

✅ Achieved

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# Stakeholder Engagement

Kroger has a large and diverse group of stakeholders that affect our ability to successfully run our business and may be impacted by our operations. We proactively manage relationships to foster open dialogue with, and capture feedback from, more than 70 organizations on over 40 ESG topics. While our approach to engagement varies by stakeholder group, we prioritize topics based on our strengths, our ESG strategy, materiality and risk-based analyses.

Key Stakeholders	Primary Engagement Methods	Engagement Outcomes 2020
Shareholders	Our leaders, Investor Relations team and other subject matter experts engage with shareholders throughout the year. Key channels include direct engagement, investor conferences, our annual shareholders' meeting, quarterly earnings calls, financial reports, investor questionnaires about ESG topics, <a href="http://www.thekrogerco.com">www.thekrogerco.com</a> , press releases and webcasts.	In 2020, we met with investors who manage nearly 58% of the active institutional float and with investors holding approximately \$38 billion of purchasing power. Discussions with socially conscious investors helped inform our new ESG strategy and long-term commitments.
NGOs	We have long-standing partnerships and open dialogue with many NGOs to share our ESG priorities, plans and performance. We welcome constructive discussion on many social and sustainability topics to help advance common goals for people and our planet.	NGO engagement shaped our new ESG strategy, our priorities for 2025 and 2030, and our roadmap for human rights due diligence, as outlined in an updated <a href="#">Statement on Human Rights</a> .
Associates & Labor Unions	To gather feedback from associates, we use one-on-one discussions and coaching, our intranet, email, leadership meetings and town halls, affinity and inclusion groups, internal and external social media, and an annual employee engagement survey. We communicate with labor unions through scheduled meetings, telephone calls and ongoing collective bargaining agreement negotiations.	Input informed our COVID-19 response plan, including measures to help protect health and safety, invest in wages, rewards and paid sick leave for frontline grocery workers, and offer access to testing, vaccinations and telehealth services.
Customers	Customers can engage with us through in-store service counters, surveys, focus groups, websites and social media, as well as Kroger Customer Connect, our live call center.	Based on customer feedback and changing shopping behaviors during the pandemic, Kroger accelerated digital options for low-contact and contact-free shopping, and activated payment using Electronic Benefits Transfer (EBT) at curbside pickup.
Communities	We foster close relationships with the neighborhoods in which we operate through direct engagement, local giving and fundraising, service and volunteerism, weekly food donations, hunger relief, ongoing special events, store openings and media relations.	National and local conversations about social justice and ongoing dialogue with community and non-profit leaders shaped our <a href="#">Framework for Action: Diversity, Equity &amp; Inclusion</a> .
Suppliers & Manufacturers	Supplier engagement is a critical element of our commitment to responsible sourcing and supplier accountability. We focus our engagement during the onboarding process and continue it through ongoing meetings, site visits, surveys, audits and scorecards.	Connecting with suppliers throughout the pandemic helped keep shelves stocked amid supply chain constraints, onboard new suppliers quickly, offer COVIDCare+™ testing and vaccination solutions, and share best practices for worker health and safety through <a href="#">Sharing What We've Learned: A Blueprint for Businesses</a> .



# PEOPLE

## Help billions live healthier, more sustainable lifestyles

We believe in building a just and inclusive world where everyone can access nutritious, affordable foods and where our associates, customers and communities thrive. We aspire to help build more resilient communities where individual and collective rights are respected and protected.

### In This Section

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# Food Access, Health & Safety

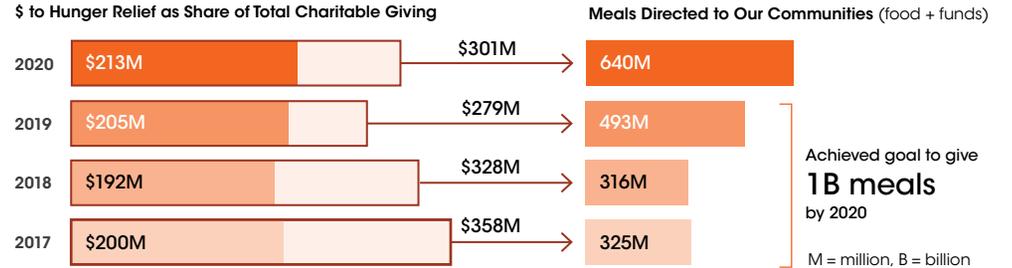
## Material Topics

- Food & Product Safety
- Food Access
- Health & Nutrition
- Customer Experience
- Associate Health & Safety
- Community Engagement

## Our Impact in Numbers

- ▶ 90 million pounds of food donated through the Zero Hunger | Zero Waste Food Rescue program
- ▶ Directed nearly 1.8 billion meals (in food and funds) toward our 2025 target of 3 billion meals to our communities
- ▶ 116% growth in total digital sales in 2020
- ▶ Our Simple Truth® brand exceeded \$3 billion in annual sales

## Charitable Giving Directed to Hunger Relief in Our Communities



The events of 2020 and the COVID-19 pandemic highlighted the complex issues surrounding access to fresh, healthy foods across the country. As America’s grocer, we are committed to fulfilling our brand promise, Fresh for Everyone, our Zero Hunger | Zero Waste social and environmental impact plan, and our Food as Medicine strategy so that everyone can access affordable, nutritious food.

## Food & Product Safety

Providing quality, safe food for our customers and their families is Kroger’s highest priority. Quality assurance and regulatory compliance are key facets of our business and, for our suppliers and partners, they are essential conditions of working with us. We focus on meeting and exceeding our stakeholders’ expectations for food safety and quality.

Under the leadership of our Vice President of Corporate Food Technology and Regulatory Compliance, more than 50 scientists and technologists in the Corporate Food Technology group oversee food safety for our manufacturing operations and retail stores. Among other responsibilities, this team tests products we manufacture for safety, audits all Kroger facilities, reviews third-party audits of suppliers’ facilities for compliance, and works closely with regulatory agencies and suppliers to process recalls affecting products sold in our stores.

We have a comprehensive company-wide management approach focused on mitigating risk at our stores, plants and distribution centers.

Throughout the pandemic, the Kroger operations and food safety teams adjusted master sanitation and cleaning schedules at all facilities, with guidance from sanitation partner Ecolab, to help protect the health and safety of our associates and customers and keep food safe.

Kroger teams managed 39 recall events leading to 55 Class I product recalls last year, 46 of which were related to food products. Two of these recalls involved *Our Brands* products, including one produced in a Kroger-operated facility. As in previous years, recalls for undeclared allergens continue to be a primary cause of Class I recalls.

## Number of Kroger-Manufactured *Our Brands* Products Recalled



## Contributing to the SDGs





### Supermarkets

Across our stores, food safety managers help ensure compliance with all applicable federal, state and local regulations through our risk prevention strategy. In 2020, Kroger trained nearly 90% of new retail store fresh department associates, totaling more than 21,300 associates who completed the Serve Up Safe Delicious Food™ program. We also completed nearly 15,000 in-store food safety audits in 2020.

While the Centers for Disease Control determined that the virus that causes COVID-19 is not transmissible by food, Kroger followed guidance to close some store departments, such as salad bars and bulk foods, and remove unpackaged self-service items from sale. As certain restrictions were lifted, we temporarily introduced protective single-use plastic packaging for items like fresh pastries in the self-service Bakery case.

### Manufacturing Facilities

All of our manufacturing facilities are certified to Safe Quality Food Institute standards, and every plant has an assigned Quality Assurance Manager and a Safe Quality Food Practitioner. We manufacture 45% of *Our Brands* food items at 34 Kroger-operated food processing plants across the country, offering customers thousands of quality *Our Brands* and banner brand products like Private Selection®, Simple Truth®, Simple Truth Organic® and many more.

Our risk mitigation strategy includes:

- Leadership and training
- Hazard analysis and risk-based preventive controls
- Sanitation control
- Food allergen control
- Environmental monitoring programs
- Audits and food safety reviews
- Recall management

We also monitor safety for our non-food products, such as clothing. In 2020, we developed an Apparel Restricted Substance Policy that establishes new chemical compliance requirements for our private-label clothing suppliers.

### Distribution Centers

Maintaining excellent food safety practices is also critical across our 45 national distribution centers. Established food safety and sanitation standards outline management responsibilities, and associates implement formal documented programs, including Food Safety Plans. Kroger's distribution centers follow established cold chain management standards to help ensure perishable food under our control is kept intact. This is of particular importance during inbound and outbound transportation.

Our standards outline these requirements in detail for our associates. Based on best practices and regulatory requirements, key elements of the standards include:

- Food safety responsibility and documented practices
- Proper receipt and storage of materials
- Cleaning practices
- Maintenance for food safety
- Pest prevention to avoid food adulteration



**Learn more about Kroger's commitment to food safety and leadership in the Consumer Goods Forum's Global Food Safety Initiative Coalition of Action on food safety.**



**Food Access**

With access to healthy, affordable food more important than ever today, we continue to advance our brand promise, Fresh for Everyone. Many customers count on Kroger for low prices and unique, personalized offers to make healthy options even more affordable. We also work with key partners to find creative ways to direct more fresh surplus food to individuals and communities in need.

**Zero Hunger | Zero Waste**

Kroger’s Zero Hunger | Zero Waste social and environmental impact plan is our commitment to help create communities free from hunger and waste. As America’s grocer, we promote healthy product choices, as well as health and nutrition services, for millions of customers every day. In 2020, we directed a record 640 million meals to our communities, including food and funds to help end hunger at national and local levels. During the past four years, Kroger has directed a total of nearly 1.8 billion meals toward our 3 billion meal goal by 2025.

Our Zero Hunger | Zero Waste Food Rescue program directs surplus food from our stores, plants and distribution centers to families in need. In 2020, associates rescued 90 million pounds of food for hunger relief organizations across the country. Total food rescue declined by 10% due to pandemic-related disruptions in donations. Despite this, we continued to

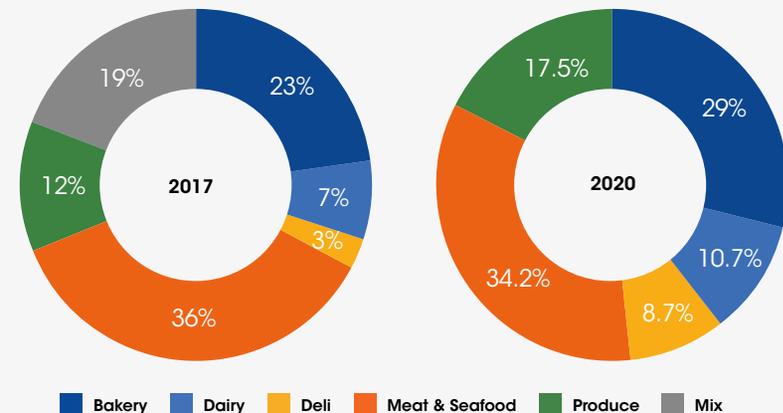
rescue food for donation wherever food banks were able to collect it. In 2020, the closure of restaurants, hospitality and entertainment venues created a surplus of some items, including raw milk. Kroger’s Manufacturing and Dairy Sourcing teams quickly scaled up a Dairy Rescue Program to collect, process and direct raw milk to families in need. Through this program, Kroger donated an additional 200,000 gallons of milk in partnership with our dairy cooperative suppliers and farmers across the Midwest and South.

Kroger also introduced a brand new way to help families stretch their budgets. Kroger Chefbot is a smart recipe bot that uses artificial intelligence to “see” nearly 2,000 ingredients and unlock almost 20,000 recipes. Developed with integrated creative and media agency 360i and technology partners Coffee Labs and Clarifai, @KrogerChefbot offers families an innovative and easy solution for meals made with items already at home.



**Balancing the Plate:  
Zero Hunger | Zero Waste Food Rescue**

Kroger is making solid progress on our commitment to donate more high-nutrition items like Produce, Deli, and Meat & Seafood as a share of total surplus food rescue. Working with national partner Feeding America, we also achieved our goal to eliminate the undefined “mix” category in 2020 to improve data and insights that inform surplus food rescue.



## Health & Nutrition

Kroger Health leads the company's health and nutrition strategy, services and programs, which include retail, mail order, central fill and specialty pharmacy operations, retail health clinics, nutrition and dietitian services, and health advocacy. In 2020, the company's health services included COVID-19 testing, nutrition support and some of the earliest deliveries of COVID-19 vaccinations.

A team of 22,000 health care practitioners, including pharmacists, nurse practitioners, dietitians and technicians, serves over 14 million customers a year. In 2020, we connected with more people than ever through COVID-19 testing, vaccinations, and telehealth and telenutrition services. Mass flu shot clinics in the fall helped prepare for COVID-19 vaccine clinics in 2021.

Kroger Health drives our ambitious Food as Medicine strategy, which aims to achieve a 20% improvement in five critical dimensions of population health—obesity, diabetes, food insecurity, cost and product assortment—by 2025. The team's first year of programs was disrupted as services pivoted to support pandemic-related efforts. But COVID-19 also confirmed the urgent need for action to improve health among vulnerable populations and communities of color, which were disproportionately affected by the coronavirus pandemic.

During the pandemic, Kroger Health partnered with many federal, state and local agencies, programs and health providers to assess needs and expand services. By quickly introducing innovative solutions, we met customers where they were—often sheltering at home and connecting via technology—throughout the year. Remote clinics and free prescription delivery gave patients safe, contact-free access to nurse practitioners

and medications. As a result, the pandemic contributed to closing gaps in health care access by making telehealth services more familiar.

We believe promoting long-term health and nutrition is a shared-value proposition with the potential to improve population health and increase sales, customer loyalty and alternative revenue streams. We will extend our commitment to serving vulnerable populations beyond the pandemic, with supermarkets as destinations for both nutritious food and preventive health care.

### Innovative Solutions

Kroger continues to develop and test creative solutions to improving food access and nutrition. Last year, we introduced three new ways to extend our reach.

#### Pantry Staples Program

In 2020, Kroger's expert clinical dietitians hand-selected nourishing pantry staples to be shipped to the homes of vulnerable and food-insecure individuals across the country. The pilot began with insurance-funded patients, who received Pantry Staples boxes to support healthy food choices during stay-at-home orders. Kroger Health is actively reviewing feedback and options for scaling up the reach of the program.

#### Telenutrition

The pandemic advanced a nationwide conversation about health and nutrition. Because choosing the right foods can be daunting, Kroger offered free nutrition counseling via video chat with expert registered dietitians—credentialed by the [Commission on Dietetic Registration](#)—as an emergency response to support public health in 2020. Through thousands of free consultations, patients received personalized nutrition care from the comfort and safety of home. Telenutrition services help customers navigate their food

budgets, nourish critical and chronic health conditions, and learn to shop online and cook at home. Use of Kroger's telenutrition services increased significantly during the pandemic, up 300% between April 2020 and April 2021. The service remains available to the public today through paid-for appointments and insurance.

#### Hometown Pickup

We recognize that many people live outside of Kroger's current retail store footprint, and some lack convenient access to a full-service grocery store and affordable fresh food choices. In the spirit of Fresh for Everyone, we are piloting a new retail model, Hometown Pickup, which offers grocery order pickup locations in neighborhoods within a certain radius of a Kroger store. Customers can place an order online, and Kroger brings it to a designated location for convenient collection. After a late 2020 launch in select Ohio locations, Kroger expanded the pilot to a number of Kentucky communities earlier this year.

Provided

**560,000 COVID-19 tests** at pharmacies, clinics and drive-through testing sites

Administered

**over 4.7M COVID-19 vaccines** through May 2021

Delivered

**over 840,000 dietitian-approved meals** to at-risk patients through the Pantry Staples Program

Offered telenutrition services across **48 states**



## Customer Experience

In 2020, the Kroger team learned we are capable of doing more and pivoting quickly to offer what matters most to our customers and communities.

Since the beginning of the COVID-19 pandemic, our priority has been to safeguard our associates and customers while keeping stores open to provide dependable access to food and essential supplies. We implemented new safety and cleaning procedures in all of our stores and facilities, including safety partitions, mask requirements, physical distancing reminders and customer capacity limits.

The pandemic also changed how our customers enjoy food and family meals. We continue to see people work remotely and prepare more meals at home.

We expect some of these trends and preferences to persist going forward, and we remain committed to putting our customers first. Our Marketing, Merchandising and 84.51° customer insights teams lead Kroger's management approach to customer experience.

Kroger's Fresh for Everyone brand recently celebrated its first anniversary. The marketing campaign is reaching new heights in ad effectiveness, and customers have responded positively.

Our key strategic focus areas include:

- **Seamless ecosystem:** New customers are engaging in both our in-store and online offerings, resulting in a 98% customer retention rate. We tripled our digital sales in 2020, reflecting proactive investments in our network and our team's ability to move quickly to meet customers' demands for safe, low-touch and contact-free shopping options.

Customers can now shop online for over 70,000 items, with more regularly added. We offer 2,223 curbside pickup locations, 2,472 delivery locations and same-day home delivery from 2,385 stores through our partnership with Instacart. Kroger is expanding home delivery services in existing and new markets through the country's first Customer Fulfillment Centers, powered by Ocado.

- **Personalization:** Our data and personalization strengths enable meaningful customer moments across channels to address specific needs and enhance the overall relationship with Kroger. Our customers—nearly 60 million households across the country—are at the center of everything we do. In 2020, we shared nearly 11 billion personalized recommendations every week, which amounted to more than half a trillion over the year.
- **Fresh:** We continue to bring our brand promise—Fresh for Everyone—to life across the company. Many customers focused on fresh categories in 2020, with strong sales in Produce, Meat & Seafood, Deli/Bakery and meal solutions. Home Chef finished the year with record sales, capturing additional share from restaurants and other retailers. We continue to promote and expand affordable access to fresh, healthy foods.
- **Our Brands:** *Our Brands* achieved its best year ever in 2020, exceeding \$26.2 billion in sales, and our Simple Truth® brand exceeded \$3 billion in annual sales for the first time. We saw 20% growth in our premium culinary brand, Private Selection®, while our Simple Truth Plant Based® platform launched 53 new items last year and continues to resonate with customers.



### Customer Insights

Kroger's Net Promoter Scores®, which measure customer and stakeholder approval, continue to improve, both for in-store shopping and pickup services, reflecting ongoing improvements in what customers care most about, including wait times, items in stock and friendly associates. New social listening capabilities help us monitor how customers talk about Kroger in social media channels across a wide range of topics. Satisfaction surveys and purchasing insights—using proprietary

84.51° data science and tools—also inform improvements in service, product quality and item assortment. We apply customer equity capabilities to understand how our customers perceive Kroger relative to our competitors, and we continue to see improvement in areas like digital, fresh items and personalization.

### Kroger Delivery

Our seamless strategy includes a new game-changing online shopping experience for our customers. Through our

partnership with Ocado, one of the world's largest online grocery retailers, Kroger is bringing fresh food to current and new customers in select markets. This strategic partnership leverages advanced robotics technology and a seamless fulfillment system for customers across the U.S. To date, Kroger has named nine locations for new Customer Fulfillment Centers featuring the Ocado Smart Platform. The first two facilities—in Monroe, OH, and Groveland, FL—opened in spring 2021.

### Associate Health & Safety

Protecting our associates and customers is always critical but, during the COVID-19 pandemic, health and safety has taken on even greater importance.

We believe our leading safety results make our stores, manufacturing plants and distribution centers among the safest places to work in the U.S. We follow established policies and standards to meet or exceed relevant Occupational Safety and Health Administration (OSHA) requirements, including a hazard communications plan, emergency evacuation guidelines and PPE guidelines.

Kroger has detailed requirements and processes to prevent, review and address safety concerns. Through clearly communicated expectations, routine monitoring and regular safety training, we focus on reducing the number of injuries and accidents across our workplaces. Dedicated on-site safety teams meet routinely to review recent injuries, audit results and resolve any issues.

Associate health and safety in our retail stores, corporate offices, manufacturing plants and distribution centers follows our established management approach:

- Safety Training and Resources (STAR) Safety 360 teams
- Department-specific safety requirements
- Associate training and education
- Injury analysis and corrective action through a centralized Enterprise Compliance Management System
- Safety observations and peer feedback

### Added Measures

Early in 2020, we recognized our responsibility to keep stores open to provide continued access to food and other essentials. We quickly implemented additional measures to help protect our associates' and customers' safety, such as safety partitions, enhanced cleaning and sanitation protocols, customer capacity limits and more.

We also required associates to wear masks and asked customers to do the same. We encouraged associates to monitor their health, provided free COVID-19 testing based on medical need, and offered paid sick leave to help associates and their families comply with quarantines. For additional details on these measures, please see Kroger's [COVID-19 overview](#). As COVID-19 vaccines became available, we also provided early access to associates where possible and offered a \$100 payment for every associate who received the manufacturer-required number of doses.



In 2020, Kroger created [Sharing What We've Learned: A Blueprint for Businesses](#), a comprehensive resource for businesses of all sizes and sectors of the economy. This 80-page guide is designed to help businesses navigate different phases of the pandemic with recommendations, insights, best practices and downloadable assets to advance workforce safety for all.

Kroger's company-wide OSHA injury rates for 2020 were affected by increased hiring and turnover, and by increased hours worked in all facilities to keep stores open and stocked during the pandemic. Kroger actively monitored COVID-19 cases and case rates among our associates, which were generally well below our surrounding communities. A few Kroger-operated facilities experienced brief temporary closures to comply with local public health regulations and complete deep-cleaning procedures.

Kroger-operated food processing facilities also implemented new processes to protect associates in 2020. Through a continued partnership with Safety in Motion®, Inc., the manufacturing team achieved a 12% reduction in the number of general injuries last year. Our team of safety specialists developed online training for OSHA safety requirements to enable associates to complete required training virtually due to restrictions on classroom-style learning.

Please see more details about our safety performance in the appendix.

### Community Engagement

Kroger's goal is to be a trusted and welcome partner in the communities we call home. Our business and Corporate Affairs leaders proactively engage public officials and other community stakeholders to understand priorities, listen to concerns and help address

unique local needs. Leaders often serve as non-profit board members and volunteer time in ways that align with our mission. Please find additional details in our [Community Engagement Policy](#).

In 2020, critical product donations were supplemented by increased corporate donations and grants from Kroger, The Kroger Co. Foundation, our private foundation, and The Kroger Co. Zero Hunger | Zero Waste Foundation, a registered public charity. We strategically gave more to organizations and partners providing meals and nutrition during this time of increased need.

We continue to offer our customers and other partners easy ways to give back by rounding up their purchase to the nearest dollar to benefit The Zero Hunger | Zero Waste Foundation when they shop, or by donating directly in store or online.

Earlier this year, Kroger helped motivate more Americans to get the COVID-19 vaccine to better protect communities across the country. Through a [Community Immunity Giveaway](#), Kroger Health offered associates and customers the chance to win one of five \$1 million prizes or one of 50 prizes of free groceries for a year.



For more details on our philanthropic grant-making, please see [The Kroger Co. Foundation's 2021 Report](#) and [The Kroger Co. Zero Hunger | Zero Waste Foundation's 2021 Report](#).



# Just & Inclusive Economy

## Material Topics

- Diversity, Equity & Inclusion
- Talent Attraction & Retention
- Labor Relations

## Our Impact in Numbers

- ▶ More than 100,000 jobs filled in the early days of the pandemic, including temporary hires from other sectors
- ▶ More than \$2.5 billion invested to support our associates during the pandemic, including \$1 billion to better secure pensions for over 30,000 associates
- ▶ \$7 million in emergency financial assistance for associates through our Helping Hands Fund
- ▶ 96% of leaders completed Unconscious Bias training
- ▶ 70% of store leaders first joined Kroger as part-time associates
- ▶ Average wage for hourly associates is more than \$15.50/hour in Kroger-operated stores
- ▶ Average wage for hourly store associates is more than \$20/hour, including comprehensive benefits

## 2020 Demographics

	Full Time	Part Time	Total
Women	83,250	133,912	217,162
Men	87,952	121,617	209,569
<b>Total</b>	<b>171,202</b>	<b>255,529</b>	<b>426,731</b>

## All Associates

	2019	2020
White Women	32.5%	31.6%
Women of Color	18.7%	19.3%
White Men	31.2%	30.6%
Men of Color	17.7%	18.5%

Public discourse on social justice in 2020 reflects the continuing need for racial equity and inclusion around the world, in the U.S. and in our neighborhoods. These principles have been among Kroger's long-standing Values for decades; however, it's clear that everyone must do more to address inequities in the systems designed to meet the most basic human needs.

As a national grocery retailer with local reach, Kroger strives to reflect the communities we serve and foster a culture that empowers everyone to be their true self, offers opportunities to grow and advance, and fulfills Our Purpose—to Feed the Human Spirit.

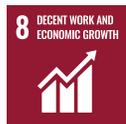
## Diversity, Equity & Inclusion

The events of 2020 tested our collective resolve to address critical social issues, particularly how we advance diversity, equity and inclusion among our associates. Kroger's Chief People Officer leads Human Resources & Labor Relations, which includes our Diversity, Equity and Inclusion team. This function—with human resources professionals in place across our lines of business and retail divisions—advocates for and fosters an associate experience that reflects our Values of Diversity and Inclusion. It also monitors and measures progress on current goals and identifies potential opportunities for improvement.

Kroger publicly affirmed our commitment with our [Framework for Action: Diversity, Equity & Inclusion](#), which features both immediate and longer-term steps developed in collaboration with associates and leaders to accelerate and promote greater change in the workplace and in the communities we serve. This framework outlines five focus areas: Create More Inclusive Culture, Develop Diverse Talent, Advance Diverse Partnerships, Advance Equitable Communities, and Deeply Listen and Report Progress.

The Kroger family of companies provides inclusion training for leaders, including Unconscious Bias training. In 2020, 96% of all leaders completed this development course. Inclusion training extends to all associates in 2021. Most work locations also have an inclusion-focused team, called an Our Promise team. These teams seek direct input from associates; recommend ways to improve diversity, equity and inclusion; and facilitate communications on business priorities.

## Contributing to the SDGs



### Enabling Connections

To promote ongoing dialogue, we also hosted associate listening sessions across the company and shared [Allyship Guides](#), which aim to help leaders and people of all backgrounds move from awareness to advocacy. We also launched a new internal [Diversity, Equity & Inclusion Advisory Council](#) made up of leaders from across the organization. The new Council works closely with senior officers and leaders across our business to identify opportunities and action steps for improvement. We also formed an Associate Influencer Group comprised only of hourly associates to help ensure representation from all levels of the company.

Kroger also operates 12 Associate Resource Groups (ARGs), or affinity groups, for our people with chapters across the organization. These groups enable connections across our family of companies, influence business decisions, lift up shared experiences, encourage cross-ARG membership for awareness, and promote personal and professional growth. Kroger leaders sponsor and personally engage with the ARGs.

### Workplace Equity

Kroger strives to attract, retain and develop leaders and associates to best reflect the communities we serve. We offer accessible employment for a wide range of people across the country. Because of our unique business model, we help unlock economic opportunity for nearly half a million people of all ages and aspirations, from those wanting an entry-level part-time job to graduate-degree specialists across corporate functions.

To achieve our goals, Kroger strategically invests in our associates' growth and movement across levels, lines of business and geographies. Our goal is to shift the demographic representation of women and people of color at the local and company-wide levels to reflect our changing country, communities and local neighborhoods. The Diversity, Equity & Inclusion Advisory Council is currently engaging senior leaders and associates to define our aspirations.

As part of Kroger's Framework for Action, we also announced the first community-based grantees for The Kroger Co. Foundation's Racial Equity Fund earlier this year.

[Learn more in The Kroger Co. Foundation report.](#)

### Reflecting Our Communities

	U.S. Population 2018*	Kroger Operating Area Population 2018*	Total Kroger Associates 2020**
White or Caucasian	63%	59%	64%
Hispanic or Latino	17%	19%	13%
Black or African American	12%	13%	15%
Asian or Asian American	5%	6%	3%
Other	3%	3%	5%

\*U.S. census estimate data

\*\*Kroger data

## Framework for Action: Diversity, Equity & Inclusion



### Create More Inclusive Culture

1. Create a DE&I Advisory Council to advance our long-term DE&I commitments, reporting to senior leadership.
2. Provide Unconscious Bias training to every leader in 2020 and DE&I training for every associate in 2021.



### Develop Diverse Talent

3. Improve diverse talent recruiting by partnering with Historically Black Colleges & Universities and community colleges.
4. Establish two-way mentorship and advocacy program between high potential diverse talent and senior leaders.



### Advance Diverse Partnerships

5. Increase spend with diverse suppliers from \$3.4 billion to \$10 billion by 2030.
6. Ensure our media partners align with Our Values and that we reach diverse customers through our marketing spend, partners and strategy.



### Advance Equitable Communities

7. Deploy funds to support impactful approaches to advance racial equity with community partners.
8. Encourage associates to vote and provide voter registration/ ballot applications in stores.



### Deeply Listen and Report Progress

9. Engage external stakeholders to seek perspective and co-create more just and equitable communities.
10. Provide associates with platforms to continue sharing their stories and feedback with our leaders.

## Talent Attraction & Retention

At Kroger, our people are our most important asset. Guided by Our Purpose, we strive to help our associates feed their futures by offering the ingredients that they need to create their own recipe for success at work and in life. In return, our associates bring Our Purpose to life across our retail, manufacturing, supply chain and corporate functions to serve our customers.

We aim to foster an associate-first culture and measure performance and progress across key metrics, including hiring, training, promotions, retention, diversity and associate engagement.

In 2020, the pandemic presented many challenges and opportunities for our people strategy. We hired thousands of new associates to help keep our stores open, clean and stocked for our customers, and we faced new challenges to quickly onboard and train large numbers of new associates, including temporary workers hired from industries hit hardest by the pandemic.

We also increased investments in our associates to help them feel safe, supported and rewarded. This included accelerating support for their physical, emotional and financial well-being as well as one-time bonuses, paid emergency leave and financial assistance through our Helping Hands Fund program.

We are committed to creating welcoming and inclusive work environments where associates can thrive, including those who deserve a fresh start. We continue to expand our New Beginnings program, which offers employment opportunities for individuals with non-violent criminal backgrounds. The program currently operates in six manufacturing locations and one distribution center.

Listening plays a critical role in our ability to retain and develop our associates. We gather feedback throughout the year in a variety of forms, including our annual Associate Insights survey.

We typically have a very high survey participation rate across the company, and we share results widely. In 2020, Kroger began using a new vendor and methodology to improve the way we measure associate engagement. The resulting company-wide engagement score was 60. This will serve as a new baseline and comparison for future survey results.

### Hiring During COVID-19

Across our family of companies, we're committed to hiring and retaining top talent to serve our customers while also offering opportunities for associates to grow their careers. The COVID-19 pandemic presented unique hiring challenges and required us to increase our staffing to remain open and stocked for our communities.

When the pandemic hit, we expedited our hiring process to shorten the time between application and employment, onboarding new hires in an average of 72 hours. Additionally, we formed employment partnerships with local, regional and national businesses such as the Cincinnati Zoo, Kohl's, Marriott, Starbucks, Waffle House and others to temporarily flex displaced employees to Kroger roles to help ensure continued community access to food and other essential supplies. These practices allowed us to accelerate hiring to support increased demand during the pandemic. Some of these individuals returned to their previous jobs once businesses reopened, and others have continued growing their careers with us.



We're also seeing shifts in where we need to focus our hiring fueled by new consumer shopping trends and our critical role providing the COVID-19 vaccine. In 2020, we hired nearly 6,000 retail pharmacy workers to support testing and vaccination efforts and nearly 75,000 in Pickup.

Beyond the pandemic, we also continue to evolve who we are as an employer of choice and how we engage to attract top talent. As part of our Framework for Action, we are increasing our partnerships with minority business accelerators and academic institutions, including Historically Black Colleges and Universities and Hispanic-Serving institutions to further drive diversity in our company and to help ensure we reflect the communities we serve.

We also are supporting the innovation occurring across the company through recruitment efforts aimed at our Kroger Technology and Digital teams and our new Kroger Delivery offering, which brings the Kroger name into new markets in 2021.

### Employee Training

Kroger offers a range of comprehensive training opportunities for all leaders and associates, from entry-level new hires to corporate and business leaders. In 2020, we launched a new onboarding solution, A Fresh Welcome, to provide greater consistency in the onboarding experience for our associates. This program begins before the associate starts with a personalized, pre-boarding site and continues through the first 90 days of

employment, focusing on compliance, company culture and essential tasks to prepare the associate to perform in their new role.

As our company evolves, so too must our training programs. In 2021, we will launch a new training solution, Fresh Start, for associates that brings gamification and critical training to their fingertips. Powered by the app Axonify, this solution will change the way we deliver training to hourly retail associates and increase engagement with the material.

We also increased our training offerings to help associates respond to events in the world and uphold Our Values. These courses continue to be developed and focus primarily on diversity, equity and inclusion, mental health and safety.

### Supporting Associate Development

Our industry-leading continuing education assistance benefit offers up to \$3,500 annually (and up to \$21,000 over the course of a career) to help associates continually develop their skills. All part-time and full-time associates are eligible after six months of service. Since inception, the program has directed over \$15 million in tuition reimbursements to help nearly 6,000 associates. In 2020, we directed \$7 million in reimbursements to our associates, of which 88% were hourly workers. We offer competitive benefits and pay in all our stores, distribution centers, manufacturing plants, technology hubs and corporate offices. We also help associates progress by nurturing and developing skills that support them in their current roles and prepare them to take the next step in their career.

### Labor Relations

Approximately 66% of associates are covered by collective bargaining agreements negotiated with local unions affiliated with one of several different international unions. There are 354 such agreements, usually with terms of three to five years.

We partner with local unions that represent many of our associates to help ensure they understand the importance of growing our business. Our objective in every negotiation is to find a fair and reasonable balance on compensation packages that provide solid wages as well as good quality, affordable health care and retirement benefits while also keeping our family of companies competitive in the market. We highlight how doing so will help us create more jobs and career opportunities as well as enhance job security for our associates.

During the COVID-19 pandemic, Kroger committed more than \$2.5 billion to safeguard the environment our associates and customers work and shop in, and to reward our associates. This includes Kroger's commitment of nearly \$1 billion to better secure pensions for over 30,000 associates.

We invested approximately \$300 million in increased hourly rates during 2020. This was in addition to the \$500 million incremental investment in associate wages, previously announced as part of *Restock Kroger*. Our average hourly wage is now \$15.50, up from \$15 the prior year. With comprehensive benefits factored in, our average hourly rate is over \$20.





# PLANET

## Protect and restore natural resources for a brighter future

Kroger strives to be a responsible steward of our natural resources. Led by our Sustainability team, we are taking key actions to address our climate impacts, including eliminating both food and operational waste, increasing efficiency across our company, and increasing the sustainability and resilience of our supply chain.

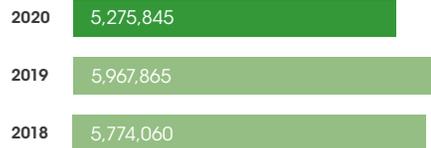
## In This Section

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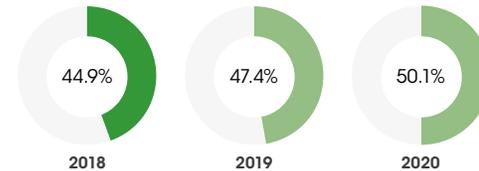
# Climate Impact

## Our Impact in Numbers

Total Carbon Emissions (Scope 1 and 2; market based)—MT CO<sub>2</sub>e



Cumulative Electricity Avoided in Stores—  
% of baseline year



Fleet Ton Miles Per Gallon (TMPG)—  
% improvement from baseline



Normalized Electricity and Natural Gas Reductions in  
2020 for Manufacturing—1 year



With a large portfolio of stores, plants and warehouses, as well as a complex supply chain, we recognize Kroger's impact on our climate. In addition, climate change can pose risks to our operations and our supply chain, which we will need to mitigate and adapt to.

Reducing our climate impact is central to our [Sustainability Commitment](#), which is why we have measured and managed our carbon footprint since 2006. We have reduced our carbon intensity through investments in energy efficiency, renewable energy and refrigerant emissions-reduction measures. We continue to implement proven solutions and to identify new innovations and collaborations to improve our sustainability.

Managing and mitigating climate impacts to and from Kroger's business is led by multiple company functions, including Engineering, Sourcing, Sustainability and Business Continuity Planning. Responsibility for Kroger's sustainability initiatives ultimately ladders up to the Public Responsibilities Committee of the Board of Directors.

### Climate Risk

To help identify and manage climate-related risks to our business, we conducted both qualitative and quantitative risk assessments. Initially, we assessed the effect and vulnerability of climate risk on our operations and supply chain. In 2021, we are

assessing the likelihood that different climate risks, like extreme precipitation, drought and heat stress, would impact Kroger at different types of facilities and in different geographies. We are using climate modeling in three scenarios reflecting different Representative Concentration Pathways (RCPs): median under 2°C (cool RCP 4.5 models), 2°C to 4°C (warm RCP 4.5 models) and over 4°C (RCP 8.5 models) from the 1/16th degree Localized Constructive Analogs (LOCA) climate dataset for 2030 and 2050 time frames.

To help prepare for and manage a variety of risk scenarios, including natural disasters and business disruptions to our supply chains, we maintain more than 200 business continuity plans. We have installed technologies and processes to ensure our stores, plants and distribution network can respond quickly and remain operational. We also monitor energy availability and costs to help anticipate how changing climate patterns, like increasing temperatures, could affect our energy-sourcing costs and activities. Our teams also monitor transition risks due to climate change, including the impacts of legislation on our business.

### Our Approach

We recognize that we also need to mitigate the impacts of our own operations on climate change. In 2020, we set a new goal to reduce absolute GHG emissions from our operations by 30% by 2030, against a 2018 baseline. The goal was developed using climate science and is aligned with the Paris Agreement, specifically supporting a well-below 2°C climate scenario according to the absolute contraction method. We will evaluate the feasibility of converting this to a formal science-based target in the future.

### Energy Management in Our Facilities

To make progress toward our goal, we actively monitor and manage our electricity and natural gas use to reduce energy consumption and GHG emissions in our facilities. We use the EnergyCAP tool to track energy use across our operations, and our stores also use the U.S. Environmental Protection Agency (EPA) ENERGY STAR platform to benchmark energy consumption against the industry and identify new opportunities for energy savings in our facilities. Currently, 821 Kroger-operated stores are ENERGY STAR certified.

## Contributing to the SDGs



To date, 13 of our manufacturing plants have installed energy management systems, which provide real-time data and allow for the immediate correction of anomalies and identification of energy-reduction opportunities.

With data at hand, engineering teams in our Retail, Manufacturing and Supply Chain departments are responsible for evaluating and implementing energy-reduction improvements across our facilities. In 2020, we continued placing glass doors on open refrigerated cases in our stores, which saves an average of 225,000 kWh of electricity and 16,000 therms of natural gas per store annually. We are also conducting an LED upgrade in our frozen food cases, which can save 22,000 kWh of electricity per case annually.

As a result of our continued commitment to increasing energy efficiency in our stores, we have accumulated avoided electricity of more than 50% compared to our baseline consumption in 2000.

### Fuel-Efficient Logistics

In our supply chain, we continue to refresh our truck fleet to replace older vehicles with newer, more fuel-efficient models as part of a multi-year approach. We also replaced more than 550 tractors and refrigerated trailers and in 2021, we anticipate adding more than 800 new tractors, trucks and other vehicles to our fleet. From 2015 to 2021, we improved the average miles per gallon of our Kroger-owned and -operated fleet by 18%.

In the last three years, all new refrigerated trucks in California serving our Ralphs division have been hybrid electric/diesel trucks, which can be plugged in when stationary and can run partially off electricity to reduce diesel emissions. We plan to begin testing electric on-highway vehicles—including tractors, yard tractors and Kroger Delivery vans—by 2022.

### Transitioning to Renewables

After we reduce consumed energy, we seek to lower the carbon impacts of the remainder. To date, we have installed solar arrays at 15 facilities and operate two facilities equipped with anaerobic digestion (AD) technology. In late 2019, Kroger began purchasing green power from our energy provider in one market, significantly increasing renewable electricity consumed. We plan to activate green power purchasing in two additional markets in 2022 and 2023. In addition, Kroger is expanding the availability of electric vehicle chargers to our customers, including the installation of DC fast chargers at select retail stores.

### Reducing Emissions From Refrigerants

Reducing refrigerant emissions is another focus area for Kroger. We recognize that a well-managed refrigerant inventory reduces waste and costs, and ensures responsible reclaim practices. In our stores, we use a four-pronged approach:

- Proactive leak monitoring, mitigation and reduction
- Replacing aging refrigeration systems to improve energy efficiency and reduce refrigerant charge/emissions
- Proper management of refrigerant inventory to reduce waste and ensure responsible reclaim practices
- Transition to refrigerants with lower global warming potential (GWP)

Kroger is part of the EPA GreenChill program, through which we set annual targets to reduce our refrigerant emissions in our retail stores. For 2020, we set a goal to achieve a 10% reduction in our refrigerant leak rate in stores, and we accomplished this through proactive management of our systems.

Kroger's [Refrigerant Management Policy](#) for our stores outlines the company's

## A Summary of Kroger's TCFD Response

With a large portfolio of stores, plants and warehouses, as well as a complex supply chain, Kroger recognizes the potential for adverse climate impact. We have published information on our climate-related risks and mitigation strategies as recommended by the Task Force on Climate-related Financial Disclosures (TCFD) framework and provide a high-level summary below.



### GOVERNANCE

Managing and mitigating climate impacts to and from Kroger's business is led by multiple company functions, including Engineering, Sourcing, Sustainability and Business Continuity Planning. Responsibility for Kroger's sustainability initiatives ultimately ladders up to the Public Responsibilities Committee of the Board of Directors.



### STRATEGY & RISK MANAGEMENT

To help identify and manage climate-related risks to our business, we conducted both qualitative and quantitative risk assessments. We are using climate modeling in three scenarios reflecting different Representative Concentration Pathways (RCPs): median under 2°C (cool RCP 4.5 models), 2°C to 4°C (warm RCP 4.5 models) and over 4°C (RCP 8.5 models) from the 1/16th degree LOCA climate dataset. To help prepare for and manage a variety of risk scenarios, including natural disasters and disruptions to our supply chains, we maintain more than 200 business continuity plans.



### METRICS & TARGETS

In 2020, we set a new goal to reduce absolute GHG emissions from our operations by 30% by 2030, against a 2018 baseline. The goal was developed using climate science and is aligned with the Paris Agreement, specifically supporting a well-below 2°C climate scenario according to the absolute contraction method. We will evaluate the feasibility of converting this to a formal science-based target in the future.

procedures and documentation for all refrigerant gas handling. Kroger has a zero-tolerance leak rate policy to ensure that refrigerant is not added to any refrigeration equipment until any leaks are fixed, regardless of the system or size of the leak. All relevant employees and technicians must read, sign off and adhere to our Refrigerant Management Policy for our stores.

Kroger-operated retail stores have used refrigerant leak detection systems for over two decades, including sensors and alarms to identify leaks for repair. Approximately 1,200 retail locations are equipped with infrared detectors that identify lower concentrations of leaked refrigerant, and we anticipate installing this system in 100–150 additional stores per year.

During the last decade, we have nearly completed the transition away from ozone-depleting substances (ODSs) into other types of refrigerants across our systems, by primarily switching to hydrofluorocarbons (HFCs), hydrofluoroolefins (HFOs) and ammonia. We continue to transition to lower GWP refrigerants as they become commercially available and economically viable, to meet our GHG reduction target, and to meet forthcoming state and federal requirements.

To start, we anticipate steadily replacing refrigerant infrastructure in California between now and 2030, ultimately achieving a portfolio GWP of under 1,400. We anticipate this will yield a reduction of approximately 3% in total baseline enterprise emissions and approximately 15% of baseline refrigerant emissions. Our proactive transition to lower-GWP refrigerants will ensure that we meet

interim targets before the 2026 timeline.

We are also preparing to align with forthcoming federal HFC phase-down requirements. After the rulemaking is final, Kroger will finalize a strategy, including goals, for achieving the requirements. We will consider factors such as the optimal refrigerant application for different equipment types, financial feasibility and environmental protection. We will use a combination of changes to achieve a lower-weighted GWP, and this could include such transitions as moving from refrigerants with a GWP of around 4,000 to those with a GWP around 2,000, or from those with a GWP of around 2,000 to those with a GWP of 1,500 or less.

Kroger will address HFC phase-down requirements in all relevant areas of the business, such as heating, ventilation and air-conditioning (HVAC) systems, warehouses and fleets. Kroger already uses ammonia in nearly all our distribution centers and in three-quarters of our manufacturing plant refrigeration systems. Our fleet uses refrigerants that are widely adopted by the industry in our truck refrigeration units and air-conditioning systems and will adopt less environmentally impactful refrigerants.

## Carbon Emissions Performance

Kroger's carbon emissions for 2020 are summarized below, with more details provided in the [Appendix](#) of this report and our latest [CDP Climate response](#).

Between 2019 and 2020, Kroger's total emissions decreased by 11.6% (when using the Scope 2 market-based accounting method). Scope 1, 2 and 3 emissions all declined during the year.

Our normalized emissions (per 1,000 square feet) also declined in 2020, from 25.8 to 22.59.

Reductions in stationary fuel and electricity consumption were at least partially driven by changes in how we did business during the COVID-19 pandemic. In-store shopping declined, while Pickup orders increased.

Our engineering teams were also diligent in continuing to implement efficiency improvements, further driving reductions.

Our reported Scope 3 emissions declined notably by more than 30%. This was the result of a significant decline in travel during the COVID-19 pandemic.

From our new 2018 GHG reduction target baseline to 2020, Kroger's total Scope 1 and 2 emissions (market-based) decreased by 8.6%.

Emissions Category	2020 Emissions— MT CO <sub>2</sub> e	Year-Over-Year Change (%)
Scope 1 (stationary)	556,654	-4.4%
Scope 1 (mobile)	201,842	+6.8%
Scope 1 (fugitive)	1,313,633	-21.5%
Scope 2, location-based (purchased electricity)	3,018,225	-8.7%
Scope 2, market-based (purchased electricity)	3,203,716	-9%
Total (S1 + S2, location-based)	5,090,353	-11.5%
Total (S1 + S2, market-based)	5,275,845	-11.6%
Scope 3	1,501,947	-31.1%*

\* Reflects pandemic-related changes in our business in 2020

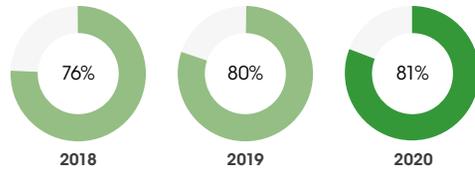
# Resource Conservation

## Material Topics

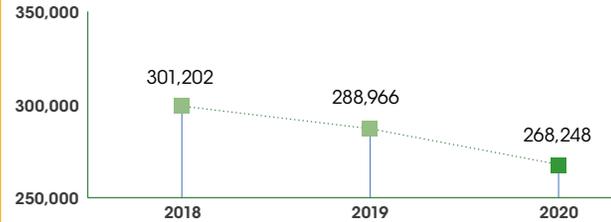
- Food Waste
- Operational Waste
- Packaging
- Water

## Our Impact in Numbers

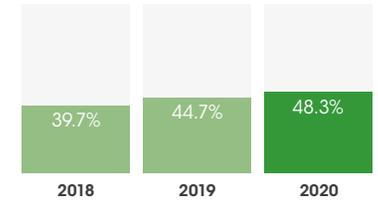
Diversion from Landfill Rate—%



Retail Food Waste Generated—Short tons



Food Waste Diversion from Landfill in Kroger Retail Stores—%



We use natural resources in everything we do, from consuming energy, water and commodities to producing waste in our operations and value chain. As a responsible business, we conserve these resources to help safeguard people and our planet. We remain committed to diverting 90% or more of waste from landfill to achieve zero-waste status and to identifying alternative methods of waste management.

## Food Waste

As a food retailer and manufacturer, we are at the center of a complex value chain. At every step along the chain, food loss or waste can occur, and we are aware of the role we can play to tackle the issue. As part of our Zero Hunger | Zero Waste social and environmental impact plan, we committed to eliminate food waste sent to landfills company-wide by 2025. Our Corporate Affairs team leads our zero food waste strategy and measures its progress with support from leaders in Retail Operations, Manufacturing and Supply Chain. We rely on associates to execute these strategies across all levels of our organization.

Kroger is working with key partners World Wildlife Fund (WWF), Feeding America and ReFED to guide our zero food waste goals and commitments. Consistent with the EPA’s Food Recovery Hierarchy, we aim to prevent, reduce and then recover food waste before resorting to landfill.

In partnership with Feeding America, Kroger introduced our Zero Hunger | Zero Waste Food Rescue program more than 10 years ago.

Today, we partner with hunger relief organizations across our communities to direct safe, wholesome surplus food to individuals and families in need. In 2020, we donated 90 million pounds of food to partner food banks company-wide.

We measure and track food waste annually. With support from WWF, we established our food-waste footprint several years ago using the World Resource Institute (WRI)’s Food Loss & Waste Protocol. Through leadership and associate communication, Kroger’s Zero Hunger | Zero Waste plan continues to permeate our company culture. Our store associates are actively engaging in programs to manage food rescue and food-waste reduction more effectively. To date, we have food-waste recycling programs in 2,407 stores (2019: 2,120). Most recently, we added programs in our Central, Dallas and Houston divisions, and we aim to launch a food-waste recycling program in every store. Most of our stores currently transform food waste into animal feed; a smaller number of stores use composting and AD services.



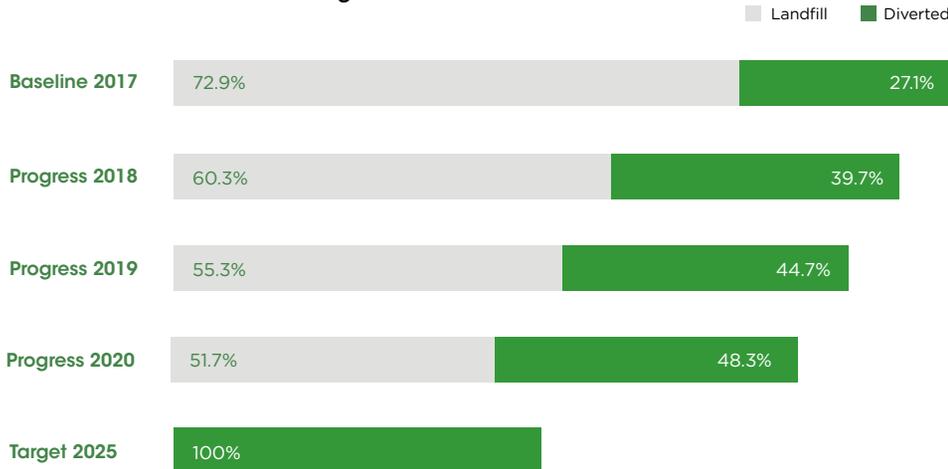
## Contributing to the SDGs



### Food Waste Management Data

Destination	Food (Short tons)	Inedible Parts (Short tons)	Total
Animal feed	27,514	11,818	39,332
Anaerobic digestion	34,413		34,413
Composting	35,474		35,474
Bio-diesel production		20,214	20,214
Landfill	114,098	24,716	138,814
<b>Total</b>	<b>211,501</b>	<b>56,748</b>	<b>268,248</b>

### Where Is Our Food Waste Going?



**Notes:**

1. Food loss diversion data reflects data collected from stores on their composting, animal feed, fat/bone and used cooking oil recycling programs.
2. The landfill metric shared here is estimated using data captured and synthesized from annual waste audits conducted in a subset of our stores.
3. Harris Teeter data is included in landfill and food diversion, but is not included in inedible parts diversion due to insufficient data.
4. The bar length for 2020 progress is proportional relative to the bar length of 2017 baseline.
5. Data reflects calendar year.

Between 2019 and 2020, total food waste generated in Kroger-operated stores decreased by 7.2% to 268,248 tons (2019: 288,966 tons), while the percentage of food waste diverted from landfill improved by 3.5% percentage points to 48.3% (2019: 44.7%). Since 2017, our baseline year, we have decreased total food waste generated in our stores by 19% and improved our food-waste diversion rate by 21 percentage points.

The GHG impacts of these improvements are also notable. As a result of diverting 129,434 tons of retail food waste from landfill in 2020, we are avoiding an estimated 32,400 metric tons of CO<sub>2</sub>e.

In 2020, Kroger launched our cohort of supplier partners as part of the WRI's 10x20x30 initiative.

### 10x20x30 Initiative Partners

We are proud to partner with the following suppliers and engage them in efforts aligned with UN SDG Target 12.3 to halve global food waste by 2030:

- Amy's Kitchen
- Chobani
- Clif Bar
- Danone North America
- Dayka & Hackett
- Driscoll's
- Flowers Foods
- Grimmway Farms
- High Liner Foods
- Hormel
- Impossible Foods
- Olam International
- Pacific Coast Producers
- Rich Products
- Tate & Lyle
- Taylor Farms
- Tillamook
- TreeHouse Foods
- Unilever



## Operational Waste

We remain committed to achieving zero waste and to steadily improving how we manage the waste materials that are produced throughout our operations. This includes identifying opportunities for increased recycling and reuse. At the same time, we are always on the lookout for how we can use materials more efficiently to reduce waste production to begin with.

Our zero-waste commitments are guided by our Corporate Affairs department and implemented in partnership with business leaders and associates across our facilities. Implementation of zero-waste initiatives in our stores is overseen by store

managers. Each retail division also has an Expense, Sanitation and Sustainability Manager who supports in-store waste management. Similarly, our Supply Chain and Manufacturing teams have sustainability leads who help guide waste reduction and recovery initiatives in these facilities.

In 2020, our company-wide waste diversion rate was 81%, which is an increase of one percentage point from 2019. While the total amount of waste generated by our operations increased slightly by 1%—largely driven by our increase in business operations during the pandemic—the amount of waste sent to landfill decreased by 4%.

In addition, the volumes of cardboard and plastics recovered for recycling both increased by 8%. In the last year, 31 of the 34 manufacturing plants operated by the Kroger family of companies continued to divert more than 90% of the waste produced in their operations from landfill—our definition of zero waste.

Kroger continues to use reusable solutions in our supply network. We use reusable plastic containers and crates to move produce, meat, eggs, milk and other fresh items through our distribution centers and stores, and we partner with third-party providers to support and expand our adoption of these pooled resources.

Despite the trying circumstances of the last year, our associates remained champions of our Zero Hunger | Zero Waste commitments.

Moving forward, we will extend the target year of our goal to achieve 90% or more of waste diverted from landfill to 2025. We have made tremendous gains on our zero waste commitments since launching Zero Hunger | Zero Waste and expect that our continued attention to this important topic will help us fully achieve our goal in the coming years.

Waste-Management Method	2019 Weight (Short tons)	2020 Weight (Short tons)	Year-Over-Year Change (%)
Waste reduction	123,000	197,000	+60%
Donation	51,920	41,002	-21%
Animal feed	108,036	86,644	-20%
Anaerobic digestion	76,210	102,491	+34%
Composting	15,870	27,475	+73%
Recycling	1,955,627	1,994,510	+2%
Cardboard	803,210	865,807	+8%
Plastic	26,864	28,908	+8%
Waste-to-energy	7,417	12,540	+69%
Landfill	571,837	548,611	-4%
<b>Total - All types</b>	<b>2,913,080</b>	<b>3,010,273</b>	<b>+3%</b>
<b>Total - Waste generated</b>	<b>2,790,080</b>	<b>2,813,273</b>	<b>+1%</b>

### Notes:

- Data reflects calendar year.
- Waste disposed is managed by and reported to Kroger by our different waste and recycling haulers.
- Waste data excludes office locations and salvage centers, which are very small portions of our waste footprint.
- Donation data reflects primarily food donations with a nominal amount of non-food donations.
- Total waste generated excludes waste reduction and prevention data.
- Construction project waste and recycling data captured in these totals excludes minor capital projects.



## Packaging

### Our Zero-Waste Approach

Sustainable packaging is a core tenet of our zero-waste vision. While packaging is important for preserving product quality, freshness and integrity, we also recognize its potential to impact our planet. This is why we are focused on reducing unnecessary packaging, reusing where we can and striving for greater recyclability and recycled content.

In 2020, we announced [Sustainable Packaging Goals](#) that will pave our way to 2030. These include:

- Seeking to achieve 100% recyclable, compostable and/or reusable packaging for *Our Brands* products
- Increasing recycled content in packaging so that the Kroger *Our Brands* product portfolio collectively contains at least 10% recycled content in packaging
- Reducing unnecessary packaging
- Increasing awareness among Kroger customers about how to properly manage *Our Brands* product packaging at end of life

To start, we tracked the packaging impacts of the products manufactured and finished in Kroger-operated food processing plants (which produce about 40% of *Our Brands* food products). Key findings, including the amount of PCR content in this portfolio collectively, are shared in the table at right. In 2021, we are building on this foundation to develop a packaging footprint for all *Our Brands* products, further informing how we pursue our goals.

Total Packaging Material Used by Type*	2020 (tons)
Metal	4,900
Glass	4,100
Paper	13,000
Plastic	74,000
Mixed materials	7,500
Total PCR content (%)	5%

\* Numbers reflect packaging used for *Our Brands* products produced in Kroger plants in final consumer-facing packaging.

### Reducing Unnecessary Packaging

Kroger has strategically reduced the amount of plastics in select *Our Brands* items through lightweighting. Most recently, we removed 20% of the weight of plastic water bottles sold in several of our markets. Since 2015, we have identified and implemented more than 15 million pounds of plastic savings annually.

### Improving Packaging Recycling

Improving the recyclability of single-use packaging will depend on both product redesigns and recycling infrastructure improvements. We are beginning to transition key product categories to packaging that is more recyclable in the curbside recycling system. In 2020, we moved our Simple Truth® and Simple Truth Organic® chicken breasts from polystyrene trays to polyethylene terephthalate trays, which are currently more recyclable in curbside recycling programs. Last year alone, this change impacted 22.6 million trays.

In 2020, Kroger launched a new recycling program in partnership with TerraCycle. This solution allows customers to send harder-to-recycle flexible plastic packaging for popular Simple Truth® items to TerraCycle for safe and effective recycling. In 2020 alone, Kroger customers set up more than 6,200 collection points and returned more than 55,000 pieces of Simple Truth® packaging for recycling. To celebrate Earth Day 2021, Kroger expanded this recycling program to include flexible plastic packaging from all *Our Brands* products.

As a complementary offering, our in-store plastic film collection and recycling program accepts a wide range of monolayer plastic films not currently accepted in curbside recycling programs. This primarily includes non-food items like plastic grocery bags; plastic overwrap on household tissues, diapers and bottled water; dry cleaning bags; retail produce bags; and packaging that is labeled as acceptable for in-store drop-off programs.

In 2020, [The Kroger Co. Zero Hunger | Zero Waste Foundation](#) directed support to the Polypropylene Recycling Coalition, a group advancing technology and infrastructure for polypropylene plastics at material-recovery facilities. By enabling better collection and sorting of polypropylene, the Zero Hunger | Zero Waste Foundation and other organizations are creating more outlets for this popular packaging material and helping packaging become more recyclable.

To drive demand for recycled materials, we seek to incorporate more recycled material in our product packaging. In our Kroger-manufactured products, we had an estimated 5% of PCR content in the portfolio in 2020. During the year, we also added recycled content to multiple products, including several Simple Truth® honey and hair care products. We anticipate accelerating this work in the future.



### Moving Beyond Single-Use Plastic

Recognizing that consumers are starting to move beyond single-use packaging to adopt more reusable models in their lives, Kroger became the exclusive U.S. grocery retail partner for Loop, the innovative reusable packaging platform started by TerraCycle. Kroger will bring popular brands in reusable packaging to our customers in one of our markets in a pilot starting in the third quarter of 2021. Customers will be able to return empty packages directly to stores, allowing for easy and convenient washing by Loop and refilling by brand partners.

Kroger was also the first major U.S. grocery retailer to commit to phase out single-use plastic bags by 2025. In 2020, we joined the [Consortium to Reinvent the Retail Bag](#) as the

Grocery Sector Lead. This partnership of retailers—convened by Closed Loop Partners—launched the Beyond the Bag Initiative, which aims to identify, test and implement innovative new design solutions that serve the function of today's single-use plastic retail bag, delivering ease and convenience for consumers while striving to lessen the impact on the environment.

An IDEO-led innovation challenge resulted in [nine winning solutions](#) that will be pressure tested and piloted by select retail partners over the course of the initiative.

We look forward to continued collaboration with our suppliers, the industry and other experts to achieve these goals.



### Water

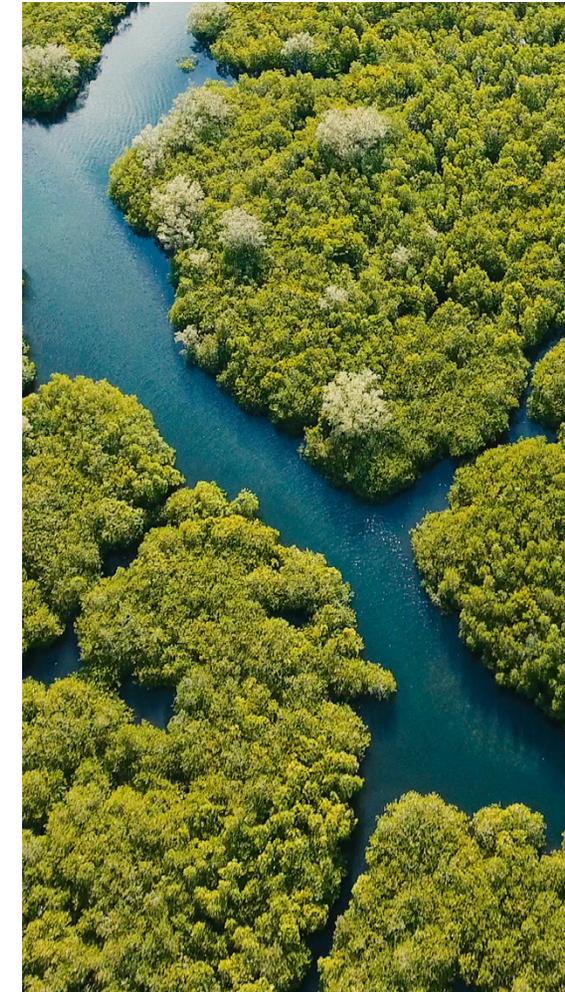
We know the importance of safe, high-quality water for the health of our associates, customers, communities and the planet. Our engineering teams collaborate to identify and evaluate opportunities to reduce water use, find reuse opportunities and manage water discharge quality to protect local water sources.

We routinely conduct water risk assessments across our portfolio of facilities to understand if there is substantive water risk present in our facilities. Using multiple tools, we evaluate our facilities for location-based water risk across several impact areas, including physical quantity, physical quality, and regulatory and reputational risks. To date we have found that, while the analysis indicates that Kroger does have facilities operating in regions with a defined level of water stress, these represent less than 10% of our total facilities.

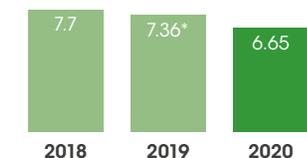
Our supermarkets continue to implement a five-point water-reduction retrofit program, which includes retrofitting pre-rinse spray valves, bathroom faucet aerators, urinal flush valves, commodes and their flush valves, and Starbucks dipper wells used for cleaning utensils.

In 2020, we retrofitted irrigation sprinkler systems in 181 stores, which will save 57 million gallons of water annually. Since 2015, our stores have saved 380 million gallons of water compared to our baseline year of 2015—a nearly 9% savings. Meanwhile, our manufacturing plants achieved their goal to reduce water consumed per unit produced by 3% in 2020.

Company-wide, we are reporting a 10% decrease in total water consumed between 2019 and 2020.



Water Consumption—billion gallons



Water data reflects fiscal year and all Kroger operations.

\* The 2019 water consumption data point is restated to reflect corrected water extrapolation calculations.

## Product Sustainability

### Natural & Organic

Natural and organic products are an important element of Kroger's overall product assortment. This reflects our customers' ever-growing interest in purchasing products that are free from artificial ingredients, flavors and preservatives, and with reduced environmental impact. Customers seeking to avoid to avoid genetically modified organisms (GMOs) can choose from many products certified to be non-GMO, or choose certified organic items because National Organic Program standards do not allow GMOs. The average Kroger store contains more than 4,000 natural and organic products, with all stores carrying some assortment. The majority of stores across the Kroger enterprise have integrated natural and organic products into the conventional aisles to increase visibility to customers.

Kroger's own Simple Truth® product line continues to expand—reaching over 2,600 unique products and more than \$3 billion in sales in 2020—and remains the second-largest brand in our retail stores, based on sales. We remain committed to increasing the affordability and availability of natural and organic items to improve health and sustainability. Currently, 18 Kroger-operated manufacturing plants are certified to produce organic *Our Brands* items.

### Plant-Based Alternatives

Kroger continues to increase our assortment of plant-based alternatives across multiple product categories in response to increasing consumer interest. We currently offer nearly 2,100 plant-based products across our stores. In 2020, Kroger's Simple Truth® brands launched 53 new plant-based products, including non-dairy cheese-alternative shreds, plant-based deli soups, and expanded alternative milks, yogurts and ice creams.

Sales of all plant-based products continued to increase. In our Grocery section, plant-based product sales grew by 29% in 2020, while in Simple Truth®, we saw growth of 30% in plant-based products. An additional 1.4 million customers purchased Simple Truth® plant-based alternatives in 2020, demonstrating the strength of this trend.

In response to a consumer research study that found sales of plant-based meat alternatives rose 23% when placed in store meat cases, the Kroger Meat department has maintained an assortment of plant-based alternatives in this section of our stores. Soon, this will also include chicken alternatives and a frozen assortment.

### Chemical Management

We are committed to responsibly managing product quality and safety, and we set high standards for all *Our Brands* products. Our regulatory compliance and quality assurance programs define product and supplier requirements such as quality specifications, testing protocols, and reporting and labeling to ensure safe, high-quality products. As reflected in our [Safer Chemicals Statement](#), we proactively identify chemicals to remove from *Our Brands* products.

Examples of recent progress:

- We achieved our commitment to eliminate the sourcing of live plants that have been treated with neonicotinoid-containing pesticides by confirming supplier alignment with our goal.
- To date, 100% of our canned *Our Brands* food items are free of bisphenol-A (BPA) liners. When also including beverage containers, more than 90% of items are free of BPA. We will continue to expand this number as supply becomes available.
- In 2020, we formally launched our new Apparel Restricted Substance Policy, which includes a robust Restricted Substance List (RSL), to our Dip® apparel suppliers. This RSL and associated testing program includes chemicals of concern that go beyond U.S. regulatory requirements by targeting globally restricted chemicals as well as other non-regulated chemicals known to have been previously used in apparel. We shared our policy with suppliers and provided four training sessions during the fall of 2020 for U.S.-based vendors and their factories located in Asia. We began apparel RSL testing and data collection and will continue engaging suppliers to improve RSL awareness and advance compliance on relevant timelines.

### Fair Trade Certified™

Through our partnership with Fair Trade USA®, Kroger helps support the people behind our Fair Trade Certified products to build sustainable livelihoods and uplift their communities around the world from which we source ingredients. For every Fair Trade Certified product sold, the producer earns an additional amount of money that goes into a farmworker-controlled Community Development Fund at origin.

In 2020, Kroger's purchases of Fair Trade Certified ingredients accounted for more than \$2.1 million in Community Development Funds that helped farmworkers improve their lives and meet their unique social, economic and environmental needs. Kroger nearly doubled the volume of Fair Trade Certified ingredients we sourced in 2020, reaching more than 58.9 million pounds and 108 Simple Truth® products. We source a variety of commodities, including sugar, coconut, tea, coffee, cocoa, shea, plantain, cassava and vanilla.

Building on our Simple Truth® brand's participation in the Sustainable Coffee Challenge, Kroger's Private Selection® brand is committed to sourcing 100% Fair Trade Certified coffee from international growing regions by mid-2022. We will uphold this commitment as we add new products into our coffee assortment.

### Sustainable Apparel

In addition to launching our new Apparel RSL to limit chemicals in our Dip® clothing line, Kroger has steadily increased the presence of materials with sustainable attributes in this assortment. We anticipate that by the end of 2021, more than 50% of Dip® items, across all categories, will have fabric with traits like organic cotton, recycled plastic content and certified renewable materials.





# SYSTEMS

## Build more responsible and inclusive global systems

As a retailer, Kroger sources products from around the world for our customers, reflecting a broad spectrum of backgrounds, preferences and budgets. Because we operate within a complex system of global production, commerce and consumption, we manage topics that have far-reaching implications—and trade-offs—for people, animals and our planet. Kroger continues to integrate ESG strategy, targets and metrics into our lines of business to help improve the food and consumer goods systems on which so many depend.

## In This Section

- 35 Business Integration
- 38 Responsible & Resilient Systems

# Business Integration

Kroger's operations reach billions of people in communities near and far. Leaders are increasingly engaged in our new ESG strategy and targets and accountable for results. We acknowledge that integrating ESG ownership into Kroger's lines of business is a journey; however, we believe our centralized structure, vertical integration and responsible supply chain operations enable our progress.

## ESG Governance

Kroger is committed to strong corporate governance. We believe it builds trust and promotes the long-term interests of a diverse set of stakeholders. We continue on our journey to integrate ESG priorities into overall business and corporate governance practices. This includes updated oversight of enterprise risk and accountability among the company's senior management and Board of Directors, as well as ongoing engagement in progress updates.

The Corporate Governance Committee oversees Kroger's company-wide governance, policies and practices. These include how the Board of Directors performs its functions and nominates director candidates who have specific qualities, skills and experiences that would contribute to Board and committee effectiveness.

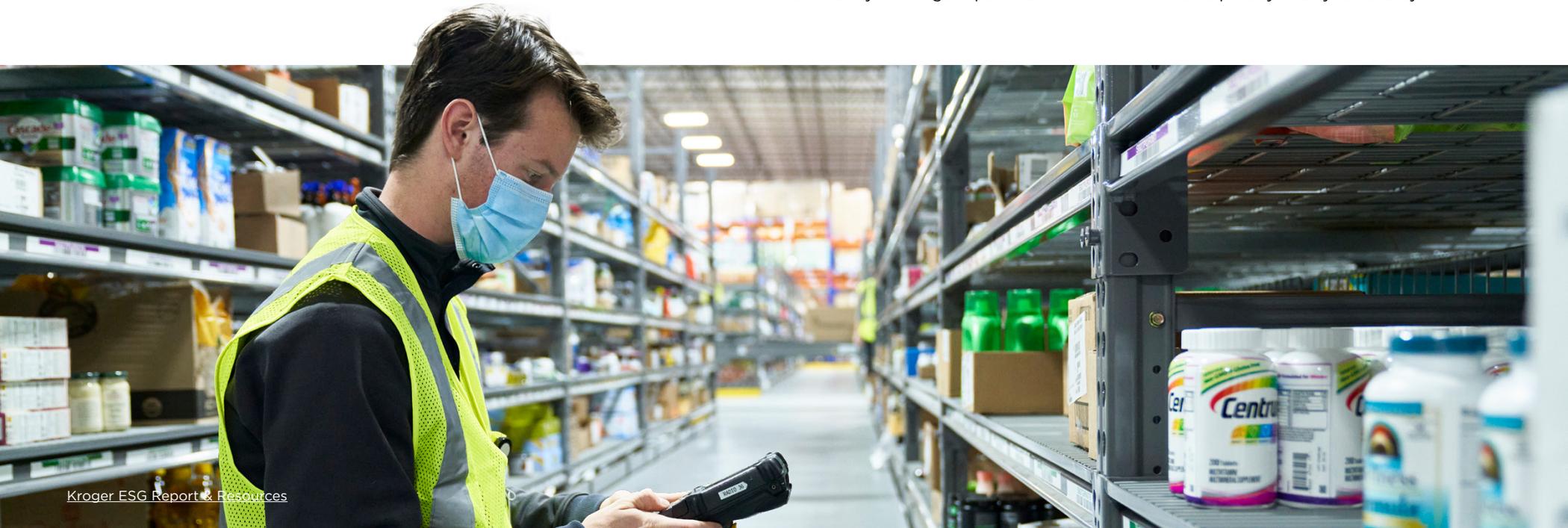
Board committees with oversight of ESG topics are: the Public Responsibilities Committee, which oversees Kroger's ESG strategy, goals, issues management and engagement practices; the Audit Committee, which oversees compliance with legal, financial and regulatory requirements; and the Compensation Committee, which oversees human capital management policies and practices.

Several internal Kroger departments are accountable for risk management:

- **Audit:** Oversees financial reporting and manages our independent auditors.
- **Corporate Affairs:** Fosters dialogue and advocacy across Kroger's operations. Leads sustainability and social impact work internally and externally with a wide range of stakeholders to advance our goals, lead engagement and report progress.
- **Corporate Food Technology:** Oversees food safety for Kroger-operated

manufacturing facilities and retail stores and manages the product recall process.

- **Environmental Compliance:** Oversees the company's compliance with environmental regulations, reflecting Kroger's Sustainability Commitment.
- **Ethics & Compliance:** Leads awareness and implementation of corporate policies, including Kroger's Policy on Business Ethics and Anti-Corruption, and compliance with laws and regulations affecting our business.
- **Sourcing:** Focuses on sourcing national brand items as well as ingredients and products for our extensive *Our Brands* portfolio. We follow our Responsible Sourcing Framework, our Vendor Code of Conduct and other policies that help advance more sustainable and equitable systems.
- **Technology & Digital:** Focuses on governance and topics related to data privacy and cybersecurity.



## Ethics & Compliance

We strive to uphold the highest standards of ethics across our company and take steps to help our associates and partners do the same. Our Ethics and Compliance team is responsible for driving internal awareness and implementation of [Kroger's Policy on Business Ethics and Anti-Corruption](#) as well as monitoring supplier and vendor compliance with Kroger's [Vendor Code of Conduct](#) and related policies. The team also monitors our company helpline, which associates can use to anonymously report concerns.

The Ethics and Compliance team works closely with Corporate Affairs to monitor the changing legislative and regulatory landscape and share updates with affected lines of business and geographies. We continue to review and update company policies where appropriate to promote ethical and responsible practices.

During 2020, the scope of our ethics and compliance practice included fast-changing U.S. federal and state guidelines and mandates to address the COVID-19 pandemic and new health-related privacy issues. In addition, international travel restrictions led to virtual compliance audits being used where on-site audits were not possible. These virtual audits provided additional visibility and accountability at a difficult time. We continued to use and expand the reach of the Worker Voice Survey during social compliance audits as a complementary mechanism for workers to raise concerns.

## Data Privacy & Cybersecurity

Our customers' trust is important to the Kroger family of companies, and we recognize our responsibility to protect our business information and the data shared with us. As an organization, we are committed to the ongoing development of methodologies and processes that enhance data privacy and security.

Kroger's Privacy Office is overseen by the Chief Information Security Officer and Chief Ethics and Compliance Officer and reports to an Executive Steering Committee that includes our General Counsel, Group Vice President of Corporate Affairs, Chief Merchandising Officer and Chief Information Officer.

The Kroger Technology and Digital team and 84.51<sup>®</sup> team are integral parts of maintaining cybersecurity, continually monitoring risks, overseeing technology platforms and applications, and reviewing governance and processes for protecting data. They are accountable to Kroger's Chief Information Officer and the Audit Committee of the Board of Directors.

### Data Privacy

Kroger prioritizes the development of marketing and data practices that enhance data privacy and incorporate protections into our business strategy, culture and ongoing operations. We regularly update our [Privacy Policy](#) to be transparent about why we collect information, how we use that information and the choices our customers have about how we use it.

The following Privacy Principles guide us when doing business:

- We respect our customers' privacy and are committed to protecting it.
- We are transparent about how and why we collect information.
- The information we collect helps us provide value to our customers and enhance their shopping experience.

Dedicated Kroger leaders guide efforts to implement data privacy legislation in the markets where we operate. As part of our standard practices, we conduct general privacy awareness training for all associates who handle personal information. In 2020, we created more specialized training for associates with specific responsibility for data solutions and architecture, and for those who handle personal health information. This enhanced training was completed in early 2021.

In 2020, Kroger enhanced our management approach to data privacy by implementing tools and automation to improve overall

privacy operations and enable privacy rights fulfillment. We added resources to our Privacy Office and implemented a new Privacy Impact Assessment tool, which helps identify and address privacy risk earlier in the software development lifecycle. All changes required for California Consumer Privacy Act enforcement were successfully implemented in 2020. As part of Kroger's response to the COVID-19 pandemic, we also prioritized data privacy and security when developing action plans to help protect our associates' health, safety and personal information.



Kroger's Privacy Office and Corporate Affairs team monitor policy developments at the federal and state levels to inform effective policies and processes that meet or exceed compliance standards.

### Cybersecurity

The Kroger family of companies operates in a highly competitive, complex and ever-changing business environment. To safeguard our systems and information, we continually upgrade security governance and protocols to reflect changes in technology, potential risks and business needs. We expect associates to complete a version of corporate security awareness training annually, and we provide updated information throughout the year to alert associates to new potential cybersecurity risks.

We implement security practices appropriate to the nature of the information we collect, including technical, administrative and operational procedures to prevent loss, misuse or alteration of personal information. For example, we use Transport Layer Security (TLS/SSL) to encrypt certain sensitive personal information we exchange with customers,

limiting data access through technological safeguards. We also comply with payment card industry data-security standards for the processing of credit and debit card transactions. We encourage our customers to use complex passwords and to change them regularly.

The Kroger Technology and Digital team leads our incident response process if systems are the target of unauthorized access. In 2020, the Home Chef meal kit delivery service reported a security breach. In this situation, Home Chef quickly activated an established process to investigate the situation in partnership with the authorities; promptly notified customers who may have been affected; and offered resources for identity and credit protection.

In early 2021, Kroger was impacted by the data security incident affecting Accellion, Inc. We will report on this incident in our 2022 ESG Report. More information is available [here](#).

We continue to apply key learnings from these incidents to future system security protections. Kroger did not report breaches of our business systems for the three years before 2020.

### Marketing Practices

Kroger develops marketing communications and integrated campaigns to help customers make purchase decisions that are right for them. We follow applicable laws and regulations related to marketing practices, and we strive to work with partners who do the same. Our Marketing, Media Services, 84.51° and Merchandising teams lead this work in partnership with the Kroger Technology and Digital team and Ethics and Compliance team.

We use information about consumer shopping preferences and our own customers' behaviors to develop billions of personalized offers every week. We follow and continually update best practices that govern this work, as highlighted in our customer-facing [Privacy Policy](#), to clearly share why and how we may collect and use this information.

Our customers tell us they value receiving personalized offers that deliver savings on items they purchase regularly. To fulfill our brand promise, Fresh for Everyone, we promote healthy options like fresh, natural and organic choices across all customer segments and geographies.

Kroger works with national, regional and local media and advertising partners to connect with customers through traditional and social media channels. In 2020, we further defined our process for selecting media partners through an updated Request for Information (RFI) process.

The expanded guidelines address how we invest with partners in a responsible manner with transparency and as champions of diversity, equity and inclusion. The RFI process includes specific questions to identify how vendors will create models and expand audiences without bias and with privacy-safe best practices. We also ask vendors to share best practices in communicating organically with multicultural audiences.

Across our operations, we avoid targeted marketing to minors of products intended for adult purchase and consumption, including adult beverages and nicotine products. We are committed to representing product characteristics clearly and accurately, including health and nutritional benefits.

Where appropriate, based on new information, Kroger may choose to exit certain product categories to reflect our ongoing commitment to responsible marketing practices. For example, Kroger previously decided to discontinue the sale of electronic nicotine-delivery products, or electronic cigarettes, as well as to exit sales of firearms and ammunition at Fred Meyer stores in the Pacific Northwest, the only market where we participated in this category.



**Please see our [Statement on Responsible Marketing](#).**



# Responsible & Resilient Systems

## Material Topics

- Responsible Sourcing
- Supply Chain Accountability
- Human Rights

## Our Impact in Numbers

### Annual Spend with Diverse Suppliers



### Volume of Fair Trade Certified Ingredients Sourced for *Our Brands* Products—Pounds



### % Wild-Caught Seafood Sourced by Kroger That Meets Sustainability Criteria



### % Farm-Raised Seafood Sourced by Kroger That Meets Sustainability Criteria



M = million, B = billion

As a grocery retailer, Kroger is part of, and dependent on, an interconnected global food system and consumer goods supply chain. A renewed focus on systems and the policies and practices governing them will help protect our planet and the workers whose livelihoods depend on a robust and responsible supply chain.

## Responsible Sourcing

Given our scale, Kroger is committed to improving social and environmental impacts throughout our global supply chain. We use a risk-based approach to continually evolve our policies, practices and oversight to reflect key issues and emerging topics in our connected agricultural and consumer goods ecosystems. We also rely on the deep knowledge of our category sourcing leaders; the latest data, insights and audit results; and input from our investors, industry groups, NGOs and subject matter experts.

We established our [Responsible Sourcing Framework](#) to clearly define our commitments, policies, requirements and practices. The Framework notes 13 policies that embed responsible procurement practices throughout our value chain.

## Vendor Code of Conduct

Our customers trust that the products we bring to market are sourced from reputable suppliers that provide safe and fair working conditions. All suppliers, including those providing *Our Brands* products, must maintain good working environments and meet all the requirements of our [Vendor Code of Conduct](#).

## Supplier Inclusion

Kroger takes a targeted approach to supplier inclusion, with a goal to spend over \$10 billion dollars annually with diverse suppliers by 2030. We actively pursue partnerships with diverse (e.g., LGBTQ+, veterans, individuals with disabilities and others) and minority- and women-owned business enterprises (M/WBEs) as these diverse perspectives help us better understand our customers' needs and marketplace trends. We value our relationships with M/WBEs because they contribute to the local economy and community, and their products and services are often unique and popular among customers. In 2020, we spent \$4.1 billion with diverse suppliers, a 21% increase since the previous year—and the fourth consecutive year with double-digit growth.



## Contributing to the SDGs



## Seafood Sustainability

For over a decade, we have improved the environmental performance of our seafood through [seafood commitments](#) and long-term partnerships and programs. WWF has been a trusted partner for many years, advising Kroger on more sustainable sources and fishery improvement practices through industry efforts.

By 2020, we aimed to achieve 100% responsibly wild-caught and farm-raised seafood and, at the year's end, we were close to achieving this. Recently, certain key fisheries in our assortment experienced issues with their certifications, which caused progress on our wild-caught seafood goal to decline slightly between 2019 and 2020 (these fisheries contributed to a 5% decline). We know these fisheries and their stakeholders are working to reinstate the rigorous MSC certification standard. Most importantly, the amount of wild-caught seafood we have purchased that meets our commitments has grown significantly in the last decade, from 66% in 2010 to 86% in 2020. The percentage of farm-raised seafood meeting our goals has reached 98%.

Recognizing that meaningful change can require longer timelines, we are in the process of extending our commitment to meet our seafood sustainability policy. We are also expanding our goals so that 20% of *Our Brands* canned tuna will be MSC certified by 2025.

As traceability is a key component that helps to ensure products are sourced responsibly, we will continue to work with WWF and our supply chain partners to improve transparency and traceability within our global seafood supply chains.

In 2020, our assortment included seafood sourced from 33 FIPs. Comprehensive FIPs offer a step-wise approach for fisheries to reach the MSC standard. These collaborative efforts bring together fishers, the private sector, government, researchers and NGOs to improve the environmental performance of a fishery and ensure that FIP activities are aligned with region-specific interests.

## Forests

Kroger produces and sells a wide range of items in our stores and online platforms, including those containing inputs that

could potentially contribute to tropical deforestation. As a result, our [No-Deforestation Commitment: \*Our Brands\*](#) aims to address deforestation impacts in supply chains where deforestation is a potential risk:

- **Palm:** We will source palm oil, palm kernel oil and palm oil derivatives from suppliers certified by the Roundtable on Sustainable Palm Oil (RSPO) or to an equivalent standard. For the 2020 performance year, approximately 80% of the palm-based ingredients used in *Our Brands* products came from certified sources. More than 95% of certified palm oil in our products is certified to the Mass Balance Supply Chain standard. As our assortment grows and changes, we continue to monitor our suppliers' alignment with our goals so we can help ensure we are maintaining our commitments.
- **Pulp/paper:** We will source paper packaging that is certified to a sustainable forestry standard and/or includes recycled content. In 2020, 74% of the paper product packaging used by

our plants was from certified sources, while 84% of paper goods sourced into our plants and stores were from certified sources.

- **Soy:** We will aim to source soy-based ingredients that are deforestation free. In 2020, 100% of the primary soy-based ingredients procured for Kroger's plants was from the U.S., indicating no tropical deforestation is occurring in this supply chain.
- **Beef:** We will strive to source fresh beef and beef-based ingredients that are deforestation free. In 2020, approximately 95% of the beef or beef-based products sourced for our Meat Department and into our plants via our routine suppliers was a product of the U.S. The cattle in our beef products are primarily raised in the U.S., with some from Canada, Mexico and Uruguay.

In 2020, we reported our progress against eliminating deforestation to CDP Forests for the first time.

## Animal Welfare

While we are not directly involved in raising or processing any animals, Kroger requires our suppliers to adopt industry-accepted animal welfare standards that we endorse. Our long-standing support for the humane treatment of animals is outlined in our updated Animal Welfare Policy, which articulates our expectations of suppliers and reflects our commitments to source 100% cage-free eggs and transition to a gestation crate-free pork supply chain by 2025.

Kroger believes animals in our supply chain should experience proper welfare as reflected in the Five Freedoms, the international standard for higher welfare:

- Freedom from hunger and thirst by ready access to fresh water and diet to maintain health and vigor
- Freedom from discomfort by providing an appropriate environment including shelter and a comfortable resting area
- Freedom from pain, injury or disease by prevention or rapid diagnosis and treatment
- Freedom to express normal behavior by providing sufficient space, proper facilities and company of the animal's own kind
- Freedom from fear and distress by ensuring conditions and treatment that avoid mental suffering

At Kroger, our animal welfare approach is overseen by an internal cross-functional committee that includes leaders from our Corporate Food Technology; Ethics and Compliance; Meat, Dairy and Egg Sourcing; and ESG teams. We also leverage external experts to help guide our strategy and address any issues that may arise.

We use an established issue management protocol to guide internal teams and external engagement when reviewing animal welfare allegations. Whenever possible, we prioritize efforts to implement corrective actions on defined timelines.

In 2020, we joined the Global Coalition for Animal Welfare, which convenes food retailers, foodservice providers, producers and animal welfare experts to improve standards at scale to meet consumer demand for food from animals reared in systems that promote good welfare.

Cooperatives supplying milk to Kroger's Manufacturing plants and *Our Brands* grocery assortment must be in good standing with the National Dairy Farmers Assuring Responsible Management (FARM) Program, allowing us to advance toward our goal to sell 100% FARM-sourced milk. In addition, Kroger is taking proactive steps to increase animal welfare oversight through our contracts with our milk cooperatives, using measures such as more frequent animal welfare audits.

Kroger is a signatory to the U.S. Dairy Stewardship Commitment, which supports the industry's efforts to measure and manage collective impacts.

Kroger also offers our customers a growing assortment of plant-based alternatives across multiple product categories in response to increasing consumer interest.



[Learn more](#)



## Supply Chain Accountability

The strength of our Responsible Sourcing Framework lies in our risk-based management approach and continual monitoring to improve the integrity of our supply chain. We implement comprehensive programs to not only hold our suppliers accountable for meeting Kroger's high standards but also to support their continual improvement.

We engage with suppliers through ongoing assessments of their environmental and social practices, including human rights, and the intersection of both. We work continually to build strong relationships throughout the supplier onboarding process and maintain them through ongoing meetings, site visits, surveys and audits.

### Social Compliance Audits

Kroger's social compliance audits are designed to check our suppliers' alignment with our [Vendor Code of Conduct](#), which vendors must agree to when registering to become a supplier. The Code informs vendors that the facilities they operate and subcontract with can be subject to social compliance audits.

Our [Social Compliance Program Requirements](#) document outlines the legal requirements and high ethical standards to which we hold our suppliers, as well as the [Social Compliance Audit Content](#) that guides the audits conducted by a third-party auditing firm.

To determine the scope of the vendors and facilities that are to be audited and how often, we evaluate our supplier base against multiple criteria, such as where facilities are located, what products they produce and inherent industry risks.

At a minimum, we require social compliance audits for all *Our Brands* (food and non-food products) and unbranded products (such as bulk produce) processed at facilities outside the U.S.

We also require audits for direct import national-brand products where Kroger is the importer of record.

In 2020, we worked with our consultant ELEVATE to conduct a risk segmentation assessment to better understand and characterize risks—primarily human rights-related—in our supply chain. This process classified the primary product and commodity categories in our supply chain based on two dimensions: level of risk (high or low) and Kroger's ability to influence risk in the supply chain (high leverage or low leverage). The assessment used various indices, compiling labor, health and safety, environment, ethics and management systems information, to assign risk and influence levels. These initial findings have helped us identify the categories where Kroger is best positioned to drive the largest positive impact: Seafood and Produce.

In the near term, this information helps us refine our approach for prioritizing social compliance audits in geographies and/or product categories that are of higher concern. Kroger also intends to build on these findings through our human rights gap analysis exercise in 2021. Together, these steps are helping us gain valuable insight to what populations are most vulnerable—and where—and how we can continue improving human rights governance and implementation.

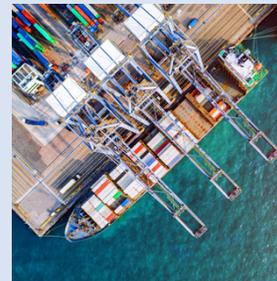
We continually review incoming audits for violations of our Vendor Code of Conduct, our Statement on Human Rights and other key policies. Our Social Compliance team also developed a Traveler's Checklist to raise internal awareness about indicators of human rights issues in the supply chain. Company representatives can use this tool when visiting supplier facilities to identify any concerns and notify our Social Compliance team, which determines what follow-up action is needed.

When we become aware of potential issues, we activate the relevant policy framework, which follows our issue management protocol to evaluate the situation and implement corrective actions where appropriate.

During COVID-19, we relied on alternative means of social compliance audits and tracking, given restrictions on global travel and on-site audits. Kroger has closely monitored virtual audit results as well as U.S. and international government and industry alerts. We also increased the reach of Worker Voice Surveys to help oversee human rights during this time.

In 2020, approximately 32% of the completed audits resulted in approved facilities given a corrective action plan for any minor violations to be fixed within 12 months, while 53% resulted in conditional approval with a corrective action plan required to be completed over either six or 12 months. Meanwhile, 15% of audits identified zero tolerance violations and, if permitted, the suppliers corrected violations immediately.

## Building Resilient Supply Chains



Kroger believes in working with our supply chain partners to ensure we are addressing human rights properly and also building more responsible, resilient supply chains.

Social compliance audits are the primary mechanism for assessing human rights in our supply chain. In the spirit of continuous improvement, our Corrective Action Plan process allows suppliers to correct many of the issues that may arise in an audit. Kroger sends all suppliers a letter emphasizing that we expect transparency from them in the audit process. Ultimately, lack of transparency poses greater risk because it may be an indicator of more egregious issues. When we have suppliers with repeated non-transparency findings in their audits, we work with them directly to resolve this issue, or we terminate the supply agreement.

We recognize that, on occasion, there may be issues that come up outside of our audit process. We developed an issue management protocol to help ensure supply chain compliance issues are addressed effectively, including those related to human rights, animal welfare or environmental impacts. The protocol details remedial steps that may include raising awareness among relevant team members, developing corrective action plans with vendors, and sharing regular progress updates.

### Increased Accountability

Kroger carefully monitors known and emerging risks across our product categories and global supplier networks. Our cross-functional Responsible Sourcing leadership team discusses and manages critical topics on a monthly basis, and an extended team also operates as subject matter experts on key social compliance areas of enhanced monitoring and engagement, including human rights, animal welfare, chemical safety, apparel production and more.

Supplier Hub is Kroger's centralized vendor management system, designed to enable a thorough identification process for our external suppliers. Through Supplier Hub, we collect information about supplier compliance with our commitments, as well as U.S. food safety standards and relevant company initiatives. We continue to embed compliance controls into our daily operations to help ensure that the products we bring to market are sourced from reputable suppliers.

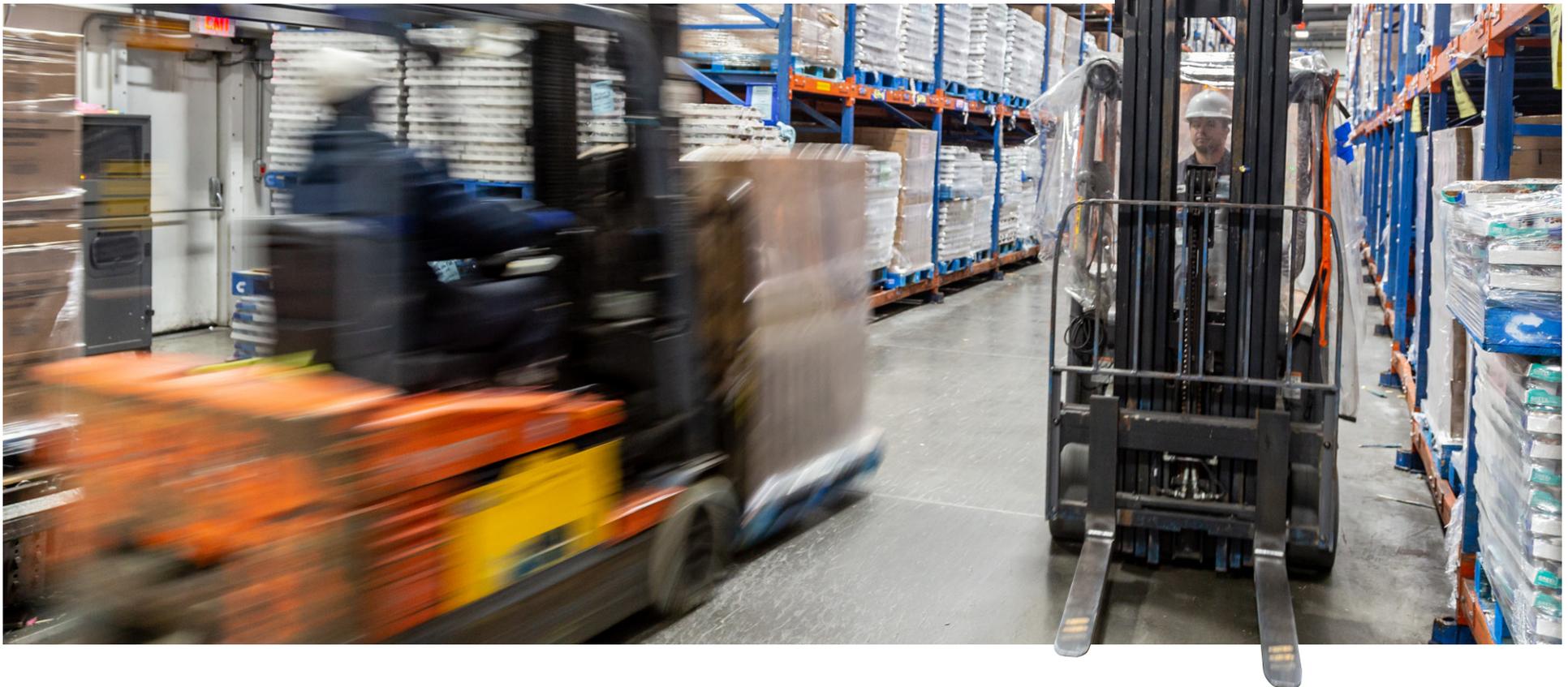
### Regulatory Compliance

Kroger is committed to managing products in ways that promote safety and quality. We require our suppliers to comply with regulatory requirements pertaining to product safety, as well as to meet or exceed our quality, safety and performance requirements.

Our dedicated General Merchandise group maintains a General Merchandise Regulatory Compliance and Quality Assurance Program, which outlines product-testing requirements for general merchandise in our stores.

Our Environmental Compliance team has successfully implemented simpler processes for our stores to responsibly dispose of unsalable hazardous products.

Through our partnership with UL WERCSmart®, we provide accurate disposal information directly to stores and distribution centers. We use licensed hazardous waste vendors to remove materials from our sites and properly manage disposal, recycling or destruction.



## Human Rights

At Kroger, we care deeply about the rights of those with whom we work and on whom we rely to operate our business every day. As a U.S. food retailer with a global supply chain, we recognize our role and responsibility to partner with suppliers to help advance human rights for workers within that supply chain, particularly among vulnerable populations.

Respecting human rights is embedded in our company governance and culture and a key element of our comprehensive responsible sourcing and supply chain accountability initiatives. We outline Kroger's commitment to and governance for human rights in our updated [Statement on Human Rights](#), [Responsible Sourcing Framework](#), [Vendor Code of Conduct](#) and [Social Compliance Program Requirements](#).

We continually review and improve our approach and our processes to help advance positive change in the global supply chain over time. Key tenets of our approach to human rights include:

- **Accountability:** Leadership accountability includes Kroger's Chief Ethics and Compliance Officer, Group Vice President of Corporate Affairs and Vice President of Sourcing. The Audit Committee and Public Responsibilities Committee of the Board of Directors provide Board-level oversight of responsible sourcing and human rights.
- **Risk-based approach:** Dedicated Kroger team leaders work in partnership with third-party firm ELEVATE to manage a risk-based approach to human rights across key geographic regions. Our supplier base is diverse across geographies and products, and we take measures to understand and prioritize human rights risks in our supply chain.

- **Zero tolerance policy:** Kroger applies a zero tolerance policy to reports of certain human rights violations through our social compliance audits or other means. When we learn of possible zero tolerance violations, we activate our issue management protocol, which includes reviewing audit results or other evidence, engaging the supplier directly, and engaging internal and external stakeholders to gather more information.
- **Focus on improvement:** Our issue management protocol prioritizes helping suppliers and facility managers improve workforce practices, comply with standards, and continue or resume supply as a company in good standing. We use corrective action plans (CAPs) to outline required improvements and a timeline for completion. Failure to complete a CAP or operate in good standing may result in termination of the supply contract.

In early 2021, Kroger committed to align our management approach to the UN Guiding Principles on Business and Human Rights. To do this, we developed a two-year plan to assess and improve our approach to human rights and reporting. We recently completed a comprehensive gap analysis to review Kroger's human rights governance, policies and processes against the UN Guiding Principles to identify specific areas for improvement. Based on these results, we will develop a new policy and specific plans to improve our human rights due diligence (HRDD) process.

## 2020

### Responsible Sourcing Steering Committee

- Formalized responsibilities
- Meets at least monthly to review critical and emerging topics and key metrics

### Global risk assessment\*

- Identified higher-risk locations or product categories

### Worker Voice Surveys\*

- Extended reach of anonymous surveys in suppliers' facilities
- Used to validate audit reports and assess workplace practices

### Enhanced Supplier Hub

- All suppliers required to register, maintain records and acknowledge policies
- Kroger leaders review compliance and block vendor payments and/or future orders

## 2021

### Comprehensive gap analysis\*

- Assess human rights governance, policies and processes against the UN Guiding Principles
- Identify opportunities for improvement
- Consult third-party experts to inform action plans, including the human rights impact assessment (HRIA) process
- Disclose high-level results and follow up in future ESG Reports and ongoing stakeholder engagement
- Align approach with the human rights due diligence process

### Maintain responsible oversight

- Closely monitor results of on-site and virtual audits, Worker Voice Surveys, and government and industry alerts
- Maintain oversight of human rights during and after the pandemic

### Recommence international travel

- Transition third-party virtual audits back to on-site audits when possible
- Launch HRIA process for three high-risk supply chains

## 2022

- Continue HRDD process into 2022 and beyond
- Resume Kroger personnel site visits as appropriate
- Publish findings from three HRIAs in 2022 ESG report, including actions to mitigate and remediate adverse impacts

\* In partnership with ELEVATE

# Appendix

## Material Topics Summary Table

### 2020 Materiality Assessment Topic Definitions and Boundaries

To address the complex issues most relevant to our business, we continue to learn from internal and external stakeholders through the materiality assessment process and ongoing engagement. The topics listed below were identified and prioritized in our latest materiality assessment, shared in our [2020 ESG Report](#).

Environmental Topic	Topic Definition	Boundary	Tier
Agricultural Practices	Promoting responsible pesticide, fertilizer and soil-management practices, including efforts to reduce negative impacts on pollinators.	Internal—Corporate (Sourcing) External—Supply Chain (Farmers)	3
Chemical Management	Redesigning products and processes to avoid the use and/or generation of hazardous chemicals, replacing potentially hazardous chemicals with safer alternatives, reducing hazardous chemical emissions and wastewater discharge and diverting unsalable or hazardous consumer products from landfill through responsible management.	Internal—Corporate (Sourcing) External—Food, Consumer Packaged Goods (CPG) and Packaging Suppliers	3
Climate Impact	Energy consumption and GHG emissions resulting from building and fleet management in retail, manufacturing, supply chain and other Kroger operations. Implementing solutions (e.g., renewable energy and energy/refrigeration efficiency) to address climate change and mitigate the impacts of climate change on Kroger.	Internal—Retail Operations, Food Production Plants, Distribution Centers, Fleet External—Suppliers to Kroger's Food Production Plants	1
Deforestation & Land Management	Supporting responsible land-management and forestry practices in our operations and supply chain to reduce forest loss and negative impacts to biodiversity, particularly among high-impact commodities such as palm oil, beef, soy and pulp/paper/timber.	Internal—Corporate (Sourcing) External—Food, Packaging and CPG Suppliers	3
Food Waste	Working across the value chain to reduce and recover food waste in our operations and in partnership with suppliers, farms and customers.	Internal—Food Production Plants, Retail Operations, Corporate (Corporate Affairs) External—Farmers, Food/Perishables Suppliers	1
Operational Waste	Diverting more waste from landfill through increased waste reduction, reuse and recycling adoption in our operations. This includes adopting more circular economy models.	Internal—Retail Operations, Food Production Plants, Distribution Centers	3
Packaging	Adopting sustainable packaging practices that reduce unnecessary materials, increasing recyclability of packaging, adopting more reusable models and increasing recycled content and sustainable fibers. Supporting infrastructure development and providing recycling solutions and recycling information for customers.	Internal—Corporate (Product Design, Sourcing, Government Affairs) External—Suppliers, Packaging Suppliers	1
Water	Reducing water use, increasing reuse and managing water discharge quality to protect local water sources.	Internal—Food Production Plants, Stores, Distribution Centers External—Farmers, Suppliers	3
Social Topic	Topic Definition	Boundary	Tier
Associate Health & Safety	Providing proper safety training and equipment, safe working conditions and access to resources to maintain and improve associates' health and well-being.	Internal—All Operations	1
Associate Training & Education	Providing training and educational opportunities to build associates' skill sets, increase engagement and job performance and support career advancement.	Internal—All Operations External—Communities, Unions	2
Community Engagement	Using community engagement principles to share updates on Kroger business and operations, discuss community priorities, partner in local events and identify opportunities for philanthropic support and more. Being a trusted partner in the communities where our associates and customers live through volunteerism, grants and donations.	Internal—All Operations External—Communities, NGOs	1
Customer Experience	Providing exceptional service and value and improving the customer experience through advances in areas such as online ordering, home delivery and digital solutions that offer greater flexibility in how customers shop.	Internal—All Operations External—Customers	2
Disaster Resiliency	Enhancing our ability to respond to natural disasters affecting our associates and customers by improving our preparedness and speed to mobilize needed resources.	Internal—All Operations External—Communities, Government/Policy Institutes	2
Diversity, Equity & Inclusion	Building a diverse and inclusive workforce, fostering an environment of non-discrimination where diversity is a competitive advantage and providing equal opportunities for associates. Building supplier diversity and inclusion as a business advantage.	Internal—All Operations External—Communities, Customers	1

<b>Food Access</b>	Fighting hunger by ensuring the availability of sufficient, affordable and nutritious food to support an active and healthy lifestyle.	Internal—Food Production Plants, Retail Operations, Sourcing/Procurement External—Community, Customers, Suppliers	1
<b>Food Safety</b>	Ensuring food produced in our manufacturing plants and sold in our stores is safe for customers by establishing and maintaining science-based food preparation and handling guidelines. Developing and maintaining programs to address emerging food safety topics.	Internal—Food Production Plants, Distribution, Retail Operations External—Customers, Suppliers	1
<b>Genetically Modified Organisms (GMOs)</b>	Transparent communication about the presence and impact of GMOs in food products.	Internal—Corporate (Sourcing) External—Food Suppliers	3
<b>Health &amp; Nutrition</b>	Encouraging customers to include more healthful and nutritious products in their baskets, providing pharmacy and retail health clinic services to our customers and supporting wellness in the communities in which we operate.	Internal—Food Production Plants, Marketing, Retail Operations, Technology, Sourcing/Procurement External—Community, Customers, Suppliers	1
<b>Labor Relations</b>	Promoting fair labor practices, respecting associates' freedom of association and right to collective bargaining and participating in positive, proactive, consultative conversations with associates, including those covered by collective bargaining agreements.	Internal—All Operations External—Union	2
<b>Marketing Practices &amp; Product Labeling</b>	Providing clear, fact-based and transparent nutritional labeling, including information on geographic origin, restaurant-type menu items sold in our stores and our suppliers' products. Working with suppliers to ensure product attributes are truthfully and responsibly communicated to our customers in stores and through advertising, including refraining from marketing products that do not fulfill specific nutritional criteria to children.	Internal—Corporate (Package Design, Procurement/Sourcing, Marketing) External—Customers, Industry Associations, NGOs, Suppliers	3
<b>Product Safety</b>	Providing customers with high-quality non-food products (e.g., clothing, cleaning products) that meet the highest safety and legal requirements. Setting robust standards for the production of non-food products.	Internal—Distribution, Retail Operations External—Customers, Suppliers	2
<b>Retail Security</b>	Ensuring the physical security of retail operations by training associates on issues such as active shooters, open carry laws and appropriate response to crime and theft.	Internal—Retail Operations	3
<b>Talent Attraction &amp; Retention</b>	Creating a workplace of choice by providing competitive wages, high-quality benefits and a company culture that fosters career advancement and purpose.	Internal—All Operations External—Communities, Customers	2

<b>Governance Topic</b>	<b>Topic Definition</b>	<b>Boundary</b>	<b>Tier</b>
<b>Animal Welfare</b>	Providing industry leadership in support of the humane treatment of animals, requiring adherence to Kroger's Animal Welfare Policy, helping improve industry practices and driving innovations in plant-based protein.	Internal—Food Production Plants External—Animal Protein Suppliers ( <i>Our Brands</i> , National Brands)	2
<b>Data Privacy &amp; Cybersecurity</b>	Ensuring the data privacy and security of associates, customers and suppliers and implementing procedures to prevent, detect and respond to potential data breaches.	Internal—Corporate (84.51°, IT/Technology, Shopper Marketing) External—Customers, Suppliers	1
<b>ESG Corporate Governance</b>	Establishing and disclosing systems that ensure that ESG priorities are incorporated into the company's overall corporate governance practices, including checks and balances that enable the Board of Directors to have appropriate control and oversight responsibilities.	Internal—All Operations External—Supply Chain, Customers, Investors	2
<b>Ethics &amp; Compliance</b>	Operating in an ethical manner and in compliance with applicable regulations, including anti-corruption, anti-bribery and anti-competitive practices. Maintaining and enforcing codes of conduct to protect associates, suppliers and customers.	Internal—All Operations External—Supply Chain, Customers, Investors	2
<b>Human Rights</b>	Upholding human rights, including addressing such issues as forced labor, migrant labor, child labor and living wage expectations, within operations and through the supply chain.	Internal—All Operations External—Supply Chain, Customers, Investors	3
<b>Public Policy Practices</b>	Actively participating in forming and shaping federal, state and local public policy on issues that could significantly affect our business.	Internal—Corporate (Compliance, Corporate Affairs, Government Affairs) External—Customers, Government/Policy Institutes, Industry Associations, NGOs, Suppliers	3
<b>Responsible Sourcing</b>	Developing and adhering to procurement practices that mitigate environmental and social risks in the supply chain, as well as finding opportunities to make a positive impact for people and the planet. Increasing traceability and transparency.	Internal—Corporate (Sourcing, Corporate Affairs, Ethics & Compliance) External—Suppliers	1
<b>Supply Chain Accountability</b>	Holding suppliers accountable for meeting standards through assessments of environmental, social and human rights practices. Working to improve the traceability of products.	Internal—Corporate (Sourcing, Ethics & Compliance) External—Suppliers	1
<b>Sustainable Seafood</b>	Offering wild-caught and farm-raised seafood sourced from sustainability-certified fisheries, supporting FIPs and removing at-risk species from stores.	Internal—Corporate (Sourcing) External—Seafood Suppliers	3

# SASB Index

Topic	Accounting Metric	Unit of Measure	Company Response
Fleet Fuel Management	Fleet fuel consumed, percentage renewable	Gigajoules (GJ), Percentage (%)	2,862,842 GJ; 0% renewable
Air Emissions from Refrigeration	Gross global Scope 1 emissions from refrigerants	Metric tons (t) CO <sub>2</sub> e	1,313,633 tCO <sub>2</sub> e
	Percentage of refrigerants consumed with zero ozone-depleting potential	Percentage (%) by weight	We do not report this publicly
	Average refrigerant emissions rate	Percentage (%)	The average leak rate for all commercial refrigeration and HVAC systems in Kroger's supermarkets was 11.6% in 2020
Energy Management	(1) Operational energy consumed, (2) percentage grid electricity, (3) percentage renewable	Gigajoules (GJ), Percentage (%)	(1) 39,892,320 GJ; (2) 65%; (3) 0.02%
Food Waste Management	Amount of food waste generated, percentage diverted from the waste stream	Metric tons (t), Percentage (%)	243,350 metric tons food waste generated in stores; 48.3% diverted from landfill
Data Security	(1) Number of data breaches, (2) percentage involving personally identifiable information (PII), (3) number of customers affected	Number, Percentage (%)	(1) one data breach in 2020; (2) 100%; (3) 1.9 million customers affected
	Description of approach to identifying and addressing data security risks	n/a	See Data Privacy & Cybersecurity section
Food Safety	High-risk food safety violation rate	Rate	Average of 1.56 critical violations per store per audit in 2020
	(1) Number of recalls, (2) number of units recalled, (3) percentage of units recalled that are private-label products	Number, Percentage (%)	39 recall events leading to 55 Class I product recalls last year; 46 related to food products. Two recalls involved <i>Our Brands</i> products
Product Health & Nutrition	Revenue from products labeled and/or marketed to promote health and nutrition attributes	Reporting currency	We endeavor to disclose this information in the future
	Discussion of the process to identify and manage products and ingredients related to nutritional and health concerns among consumers	n/a	See Health & Nutrition section
Product Labeling & Marketing	Number of incidents of non-compliance with industry or regulatory labeling and/or marketing codes	Number	Zero incidents of non-compliance with labeling and/or marketing codes
	Total amount of monetary losses as a result of legal proceedings associated with marketing and/or labeling practices	Reporting currency	We do not report this publicly
	Revenue from products labeled as (1) containing GMOs and (2) non-GMO	Reporting currency	We endeavor to disclose this information in the future
Labor Practices	(1) Average hourly wage and (2) percentage of in-store and distribution center employees earning minimum wage, by region	Reporting currency, Percentage (%)	(1) Average hourly wage is over \$15.50; (2) We do not report this publicly
	Percentage of active workforce covered under collective bargaining agreements	Percentage (%)	66% of associates are covered by collective bargaining agreements
	(1) Number of work stoppages and (2) total days idle	Number, Days idle	(1) Zero work stoppages; (2) Zero days idle
	Total amount of monetary losses as a result of legal proceedings associated with: (1) labor law violations and (2) employment discrimination	Reporting currency	We do not report this publicly
Management of Environmental & Social Impacts in the Supply Chain	Revenue from products third-party certified to environmental or social sustainability sourcing standard	Reporting currency	We endeavor to disclose this information in the future
	Percentage of revenue from (1) eggs that originated from a cage-free environment and (2) pork produced without the use of gestation crates	Percentage (%) by revenue	We currently report these metrics by units/weight, not by revenue
	Discussion of strategy to manage environmental and social risks within the supply chain, including animal welfare	n/a	See Responsible Sourcing, Supply Chain Accountability and Our Approach to ESG sections
	Discussion of strategies to reduce the environmental impact of packaging	n/a	See Packaging section

## 2020 Data Tables

### Energy & Emissions

Energy Consumption <sup>1,2</sup>	Amount	Unit	Amount	Unit	Change vs. 2019
<b>Total fuel consumed</b>	<b>3,864,390</b>	<b>MWh</b>	<b>1.39E+16</b>	<b>joules</b>	<b>-2%</b>
Stationary sources (natural gas, propane, fuel oils)	3,069,156	MWh	1.10E+16	joules	-4%
Mobile sources (diesel, gasoline, liquified petroleum gas, jet fuel)	795,234	MWh	2.86E+15	joules	+7%
Renewable fuel	-	MWh	-	joules	0%
<b>Total electricity consumed</b>	<b>7,208,523</b>	<b>MWh</b>	<b>2.60E+16</b>	<b>joules</b>	<b>-3%</b>
Renewable electricity	182,550	MWh	6.61E+14	joules	+4,896% <sup>3</sup>
<b>Total Energy Consumed</b>	<b>11,072,913</b>	<b>MWh</b>	<b>3.99E+16</b>	<b>joules</b>	<b>-3%</b>

1. This data reflects the vast majority of Kroger's operations, with a few exceptions.

2. Using each fuel type's heat content value, we were able to convert each fuel source from total gallons to therms and then MWh.

3. The significant increase in renewable electricity is the result of purchasing green power from our energy provider in one of our markets.

Energy Intensity <sup>1</sup>	Amount	Unit	Amount	Unit	Change vs. 2019
<b>Energy intensity per square foot</b>	<b>49.14</b>	<b>MWh/1,000 ft<sup>2</sup></b>	<b>1.77E+11</b>	<b>joules/1,000 ft<sup>2</sup></b>	<b>-0.4%</b>
Normalizing factor: facility footprint	225,330	1,000 ft <sup>2</sup>	-	-	-

1. The energy intensity calculation reflects total energy consumed within the organization.

Carbon Emissions <sup>1,2,3</sup>	Amount	Unit	Change vs. 2019
<b>Direct (Scope 1) emissions</b>	<b>2,072,128</b>	<b>tCO<sub>2</sub>e</b>	<b>-15.3%</b>
Stationary	556,654	tCO <sub>2</sub> e	-4.4%
Mobile	201,842	tCO <sub>2</sub> e	+6.8%
Fugitive	1,313,633	tCO <sub>2</sub> e	-21.5%
<b>Indirect (Scope 2) emissions (location-based)</b>	<b>3,018,225</b>	<b>tCO<sub>2</sub>e</b>	<b>-8.7%</b>
<b>Indirect (Scope 2) emissions (market-based)</b>	<b>3,203,716</b>	<b>tCO<sub>2</sub>e</b>	<b>-9.0%</b>
<b>Total Corporate (Scope 1 and 2) emissions (location-based)</b>	<b>5,090,353</b>	<b>tCO<sub>2</sub>e</b>	<b>-11.5%</b>
<b>Total Corporate (Scope 1 and 2) emissions (market-based)</b>	<b>5,275,845</b>	<b>tCO<sub>2</sub>e</b>	<b>-11.6%</b>
Indirect (Scope 3) emissions	1,501,947	tCO <sub>2</sub> e	-31.1%

1. We used the GHG Protocol Corporate Accounting Standard, the Operational Control approach and Global Warming Potentials from the IPCC Fifth Assessment Report (AR5 - 100 year). The base year for our footprint is 2006, when we first started measuring it.

2. Scope 1 and 2 emissions reflect CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O and HFC gases. Details are disclosed in our CDP Climate response. Offsets were not used in our calculations.

3. Scope 3 emissions reflect the following categories: Fuel and energy-related activities (not included in Scope 1 or 2); upstream transportation and distribution; waste generated in operations; and business travel and employee commuting.

Carbon Intensity	Amount	Unit	Change vs. 2019
<b>Total corporate carbon emissions intensity per square foot</b>	<b>22.59</b>	<b>tCO<sub>2</sub>e/1,000 ft<sup>2</sup></b>	<b>-2.2%</b>
Normalizing factor: facility footprint	225,330	1,000 ft <sup>2</sup>	-

### Health & Safety

Metric	Associates	Contractors
<b>Injury Rate (OSHA Injuries/100 full-time employees (FTE))<sup>1</sup></b>	<b>3.39</b>	<b>3.43</b>
<b>Lost Day Rate (OSHA Lost Time Rate/100 FTE)<sup>2</sup></b>	<b>2.59</b>	<b>2.93</b>

1. Injury rate includes injuries greater than minor injuries (first aid) per OSHA reporting requirements.

2. We classify lost days as calendar days. Lost days begin the day after the injury.