

Animal Welfare Update

August 2022

Kroger is Committed to Promoting Animal Welfare and Preserving Access to Affordable, Fresh Food for Customers

At Kroger, we have a long-standing commitment to responsible sourcing, including the humane treatment of animals, rooted in our Purpose and brand promise: Fresh for Everyone™.

Advancing sustainability and the welfare of animals in our protein supply chain is important to Kroger and our associates, customers and other stakeholders. Aligned with our customer expectations, we aim to offer a wide range of high-quality, affordable protein options while maintaining high standards for animal care and welfare. We're also committed to balancing other critical strategic Environmental, Social and Governance (ESG) priorities to advance positive changes for people and our planet.

We work with suppliers, animal welfare experts, and other stakeholders to advance standards that protect workers and animals, and that preserve access to affordable proteins for our customers. We also invest directly in innovation and more sustainable food systems, such as our partnership with Kipster Farms. Kroger's *Our Brands* team is a leader in this space, working with a key supplier to bring the Kipster carbon-neutral, cage-free egg production system founded in The Netherlands to the U.S. for our customers.

Kroger is also a retail leader in alternative proteins, including a growing line of *Our Brands* plant-based items, to support protein diversification and more sustainable food production.

Resources:

[Animal Welfare Policy](#)

[Human Rights Policy](#)

[Responsible Sourcing Framework](#)

[Vendor Code of Conduct](#)

Governance

Kroger's executive leadership team oversees the company's ESG Strategy, including the topic of animal welfare, with accountability to the Public Responsibilities Committee (PRC) of Kroger's Board of Directors.

A cross-functional Responsible Sourcing Steering Committee oversees sourcing decisions, supply chain accountability and issues management, and an Animal Welfare Working Group leads efforts to uphold our Animal Welfare Policy and goals. We are updating our program in the next year to clarify expectations for third-party animal welfare certifications and audits.

Our Corporate Food Technology (CFT) team leads our approach to animal welfare and oversees welfare audit compliance. The internal Animal Welfare Working Group includes leaders in CFT; Ethics & Compliance; Merchandising; Sourcing; and Corporate Affairs and is responsible for developing and managing policies and goals, monitoring performance and compliance; and reporting progress. We report progress on animal welfare to Kroger's executive leadership team and the PRC at least three times a year.

We engage a variety of external stakeholders for input on key animal agriculture topics, including suppliers, processors, brokers, animal welfare experts and advocacy groups. An external Animal Welfare Advisory Council of experts on beef, dairy, pork and poultry topics also helps guide our management approach and strategy and consults on critical and emerging issues.

Background

Kroger is not directly involved in raising, transporting or processing any animals in our protein supply chain. We expect suppliers to manage their operations responsibly and adopt industry-accepted animal welfare standards and practices.

The welfare of animals in our protein supply chain has long been a priority for Kroger. In 2001, Kroger began working with the FMI: The Food Industry Association and National Council of Chain Restaurants on a multi-stakeholder approach to advance animal welfare. Since then, Kroger has set several species- and topic-specific expectations to advance positive changes in protein production.

Our approach continues to evolve to reflect the company's business and ESG strategies; the latest research and best practices; and input from customers, suppliers, animal welfare experts and other key stakeholders.

There has been significant consolidation in animal protein production amid competitive pressures and increasing legislation and regulations regarding land use, climate impact, animal welfare, waste disposal and other topics. In some categories, Kroger has a small number of large suppliers that are expected to uphold and report on their own documented standards and complete audits relevant to their operations.

Supply chain disruptions during the COVID-19 pandemic affected some protein categories and delayed progress on some of our long-term animal welfare goals.

With a few exceptions, the fresh beef, pork, chicken and turkey products we sell are produced at suppliers' facilities in the U.S. We closely monitor small sourcing volumes for specific items from other parts of the world, particularly where animal agriculture may be linked to human rights risks, deforestation, land and natural habitat loss, and related biodiversity impacts.

Consumer demand for animal proteins is strong, reflecting a growing global population and middle class hungry for great-tasting, nourishing and affordable meals. At the same time, some stakeholders urge a broad-based transition to alternative proteins, including plant-based and cellular products. We believe Kroger's role is to provide a variety of responsibly-produced and -sourced protein options to meet our customers' wide-ranging preferences, dietary needs and budgets.

Kroger's Objectives:

We strive to advance standards for animal agriculture that:

- protect workers in animal agriculture and protein production;
- enhance welfare for animals;
- improve land management practices that limit natural habitat loss to protect biodiversity;
- support innovative new production systems;
- augment our efforts to minimize negative environmental impacts; and
- preserve access to a wide variety of affordable food and proteins for our customers.

Animal Welfare Management Approach

We are in the process of transitioning the foundation of our Animal Welfare Policy from the Five Freedoms to the Five Domains of Animal Welfare, an internationally respected approach that emphasizes current animal science and outcome-based standards.¹ During the next year, the internal working group will engage members of our Animal Welfare Advisory Council, suppliers and other experts to define outcome-based standards and third-party auditing plans that align with the Five Domains.

The Five Domains of Animal Welfare are:

- 1) Nutrition
- 2) Environment
- 3) Health
- 4) Behavior
- 5) Mental State

¹ The 2020 Five Domains Model: Including Human-Animal Interactions in Assessments of Animal Welfare <https://www.mdpi.com/2076-2615/10/10/1870/htm>

Transitioning to the Five Domains as the foundation of our animal welfare approach provides a framework for holistic science- and outcome-based evaluation of animal welfare in our supply chain. We evaluate and update our [Animal Welfare Policy](#) annually if needed, based on input from global experts.

We believe animals should be treated humanely throughout their lives, from breeding to housing and care as well as transport and slaughter. We expect Kroger suppliers to follow welfare guidelines certified by the Professional Animal Auditor Certification Organization (PAACO). Violations of our policies or acts of abuse are not tolerated by Kroger and will be investigated through our established issue management protocol.

Members of Kroger's CFT team and/or the working group also visit suppliers' U.S.-based facilities to better understand animal welfare standards and performance.

Our primary focus remains advancing animal welfare for laying hens, broiler chickens, gestating sows and beef and dairy cattle.

Collaboration to Advance Welfare

Kroger participates in industry groups and collaborative platforms to stay informed of key developments in animal welfare and protein production. This includes membership and participation in the Global Coalition for Animal Welfare (GCAW)², a global multi-stakeholder group of protein producers, foodservice companies and retailers. GCAW is administered by a Secretariat and has dedicated and active working groups to advance welfare for laying hens, pigs and broiler chickens.

Animal Welfare Goals: Progress by Category

Laying Hens

Kroger continues to work with egg suppliers, animal welfare experts and other stakeholders to support the transition to higher welfare housing for laying hens.

As we transition our reporting to align with Sustainability Accounting Standards Board (SASB) disclosure guidelines for food retailers going forward, we are restating our progress on hen housing. In 2021, cage-free eggs represented 45.9% of total egg revenue company-wide (2020: 41.9%; 2019: 39.4%).

As a percentage of total shell egg units (dozens), we also increased shell eggs from laying hens in cage-free housing systems or better to 27% in 2021 (2020: 24.9%; 2019: 23.1%).

Cage-free egg supply continues to outpace customer demand, despite Kroger's efforts to invest in prices and promotions, feature cage-free eggs in weekly advertising circulars, and dedicate preferred shelf space to cage-free or higher welfare options.

We recognize that a majority of our customers depend on eggs as an affordable, high-quality protein source. To inform our future egg offering within the context of our comprehensive ESG strategy, we conducted a detailed customer insights and supply chain review in early 2022. Our updated goal for laying hen housing reflects the impact of continued price investments, advancing state legislation, and the introduction of new cage-free, carbon-neutral Simple Truth® and Kipster Farms eggs in early 2023.

Roadmap: Given the current rate of industry progress and consumers' demand for affordability, we do not expect to achieve our 2025 goal. We will continue to offer a variety of eggs to ensure that affordable, healthy protein options are accessible for all Kroger customers.

Kroger expects to transition about 70% of eggs (by units/dozens) to cage-free or higher standards by 2030. We anticipate achieving these tentative milestones: 2022: 33%; 2024: 41%; 2025: 54%; and 2028: 61%. We will strive for continued progress beyond 2030, expected in large part from our investment in bringing the innovative Kipster Farms system to the U.S., depending on customer engagement.

Kroger anticipates investing about \$45 million to support this roadmap to 2030. This includes continued investments in sourcing agreements, pricing, promotions and merchandising.

² GCAW: <https://www.gc-animalwelfare.org/>

We will work with suppliers to help ensure the eggs we sell come from farms that advance animal welfare, promote a safe working environment for people, adopt more sustainable practices, and provide quality eggs that meet the needs and preferences of all customers. We continue to encourage suppliers to adopt higher-welfare systems aligned with our commitment to advance customer demand, accessibility and affordability.

[Learn more about Simple Truth® and Kipster eggs.](#)

Sow Housing

While there is no single agreed-upon standard for sow housing, we encourage suppliers to use the minimum time necessary in individual stalls to enhance sow health and welfare, protect workers and preserve access to affordable fresh pork for our customers. We continue to expect that sows should be transitioned from breeding stalls to group housing no later than six weeks after breeding. Breeding and farrowing stalls are allowed to protect piglets not yet born and those recently born.

As we transition our reporting to align with SASB disclosure guidelines for food retailers going forward, we are updating our progress to date on sow housing. Given the lack of industry alignment on standards and definitions, we are unable to determine accurate year-over-year progress for prior years. We recognize that supplier self-reporting contributed to this lack of clarity.

To inform our fresh pork offering within the context of our ESG strategy, we conducted a detailed customer insights and supply chain review earlier this year. Our roadmap outlined below also reflects input from suppliers, animal welfare experts, and other stakeholders.

Future reporting will focus on the SASB-aligned guidance to disclose the amount of fresh pork from group housing systems as a percentage of total fresh pork revenue. We will provide updates on unit growth through 2025.

Roadmap: On a volume basis, our goal is to achieve 100% of fresh pork from sows in group housing systems by 2025. We define group housing as systems where sows are moved to group pens for the middle phase of gestation, as early as possible and no later than six weeks after breeding. Working with our suppliers, we expect to achieve these milestones along the way: 2023: 65%; 2024: 75%; 2025: 100%.

Kroger anticipates investments in 2023 to support our suppliers' transition to group housing.

Going forward, sourcing agreements for fresh pork expect suppliers to use group housing systems and provide third-party audit verification. Our requirements include continued diligence with fresh pork suppliers to help ensure these standards are in place for supplier-owned production facilities and other third-party operated facilities that may be in our fresh pork supply chain.

Future sow housing and pig welfare management will align to the Five Domains and outcome-based measures of welfare, to be outlined in the next year.

Broiler Chickens

We also strive to promote higher-welfare practices among suppliers raising chickens as an affordable fresh protein option for customers. Kroger's current goal is to achieve the following welfare enhancements in at least 50% of our supply for Simple Truth Organic® and Simple Truth Natural® fresh chicken by 2024. The following reflects 2021 progress on each of the goal elements:

- Maximum stocking density of 6.0 lbs./sq. foot (2021 progress: 17.5%)
- Prohibit broiler cages (2021: 100%)
- Enriched environments, including litter, lighting and enrichments (2021: 48%)
- Processing in a manner that avoids pre-stun handling and uses controlled atmosphere systems (CAS) (2021: 10.4%)

The timeline for achieving the processing element is contingent on the industry's investment in and transition to CAS. Given the current pace of transition, we anticipate it may be difficult to achieve this element.

Affordability is an important consideration in our fresh chicken supply chain. We continue to encourage suppliers to move to higher-welfare production methods in ways that maintain access to affordable fresh proteins. Future animal welfare expectations for broiler chickens will also align to the Five Domains and outcome-based measures of welfare.

Other Welfare Updates

- **Dairy:** Cooperatives supplying milk to Kroger manufacturing plants and *Our Brands* grocery assortment must be in good standing with the National Dairy Farmers Assuring Responsible Management (FARM) Program, supporting our goal to sell 100% FARM-sourced milk. Kroger takes proactive steps to improve animal welfare oversight through sourcing agreements with milk cooperatives, using measures such as frequent welfare audits. We are also a signatory to the U.S. Dairy Stewardship Commitment, which supports efforts to measure and improve dairy production impacts to people and our planet.
- **Beef:** More than 99% of fresh beef in Kroger's supply chain is from suppliers' U.S.-based production facilities. We will define future outcome-based standards for fresh beef production that align with the Five Domains of animal welfare.
- **Fish:** We recognize the growing body of work related to advancing fish welfare in farm-raised and wild-caught operations and processing. Kroger is engaging animal welfare experts, industry groups and other stakeholders to frame a specific approach to fish welfare going forward.

For more details, please see [Kroger's 2022 ESG Report](#).