

KROGER'S 2019 ENVIRONMENTAL, SOCIAL  
& GOVERNANCE (ESG) REPORT

# A Sustainable Future



**ZERO  
HUNGER  
ZERO  
WASTE**



We imagine a better future for  
people and the planet – a world  
with Zero Hunger | Zero Waste.

**2019  
SUSTAINABILITY  
REPORT**

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# About Kroger

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## BECOMING KROGER

In 1883, Barney Kroger invested his life savings of \$372 to open a grocery store at 66 Pearl Street in downtown Cincinnati. The son of a merchant, he ran his business with a simple motto: "Be particular. Never sell anything you would not want yourself." This credo served Kroger well over the next 136 years as the supermarket business evolved into a variety of formats aimed at satisfying the ever-changing needs of shoppers.

The Kroger Co. is a publicly held corporation (NYSE: KR). Still based in Cincinnati, Kroger operates nearly 2,800 stores under two dozen banners, ranking as one of the world's largest retailers.

[SEE OUR FACT BOOK FOR MORE DETAILS AND READ MORE ABOUT KROGER'S HISTORY HERE.](#)

At **Kroger**, we serve over 11 million customers a day through food inspiration and uplift.



# Highlights



REVENUE:

**\$121.2 Billion**

ASSOCIATES:

**453,000**

GRI 102-2

The Kroger Family of  
Companies **Today**

WE SERVE MORE THAN 60 MILLION HOUSEHOLDS A YEAR AT:

**2,764**

SUPERMARKETS

**1,537**

FUEL CENTERS

**253**

FINE JEWELRY STORES

**22**

SUPERMARKET BANNERS IN 35 STATES & THE DISTRICT OF COLUMBIA, PLUS OTHER POPULAR BRANDS AND SERVICES FOR OUR CUSTOMERS

MANUFACTURING PLANTS:

**36**

DISTRIBUTION CENTERS:

**44**

PRESCRIPTIONS FILLED LAST YEAR:

**200 Million**



Pick 'n Save



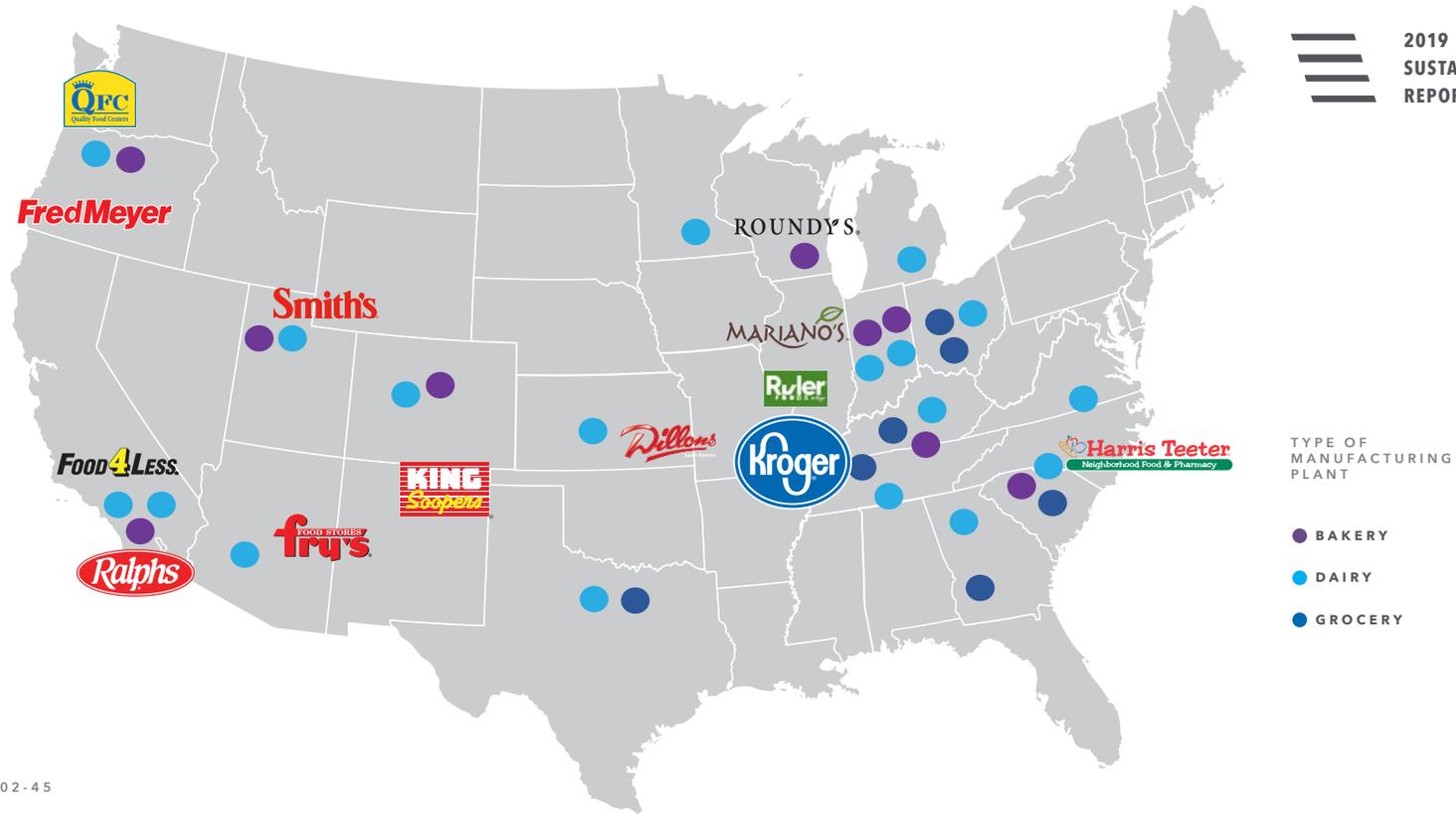
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Smith's



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## OUR OPERATIONS

At the Kroger family of companies, we are dedicated to Our Purpose: to Feed the Human Spirit™. We serve more than 11 million customers daily through a seamless digital shopping experience and our retail food stores, serving America through food inspiration and uplift. Through Kroger’s Zero Hunger | Zero Waste plan, our vision is to end hunger in our communities and eliminate waste across our company by 2025. We operate 2,764 retail supermarkets in 35 states and the District of Columbia – 1,537 of which have fuel centers.

We manufacture much of the food for sale in our supermarkets at 36 food production plants and manage a logistics network with 44 distribution centers across the

country. We offer customers more than one million unique products to satisfy individualized needs and wants. We serve more than 60 million households annually.

Our retail supermarkets typically feature expanded fresh departments, natural and organic items, health and beauty care, general merchandise and pet care offerings. Many also include a fuel center. In addition to national brand products, customers love *Our Brands*, available in stores and online, including the popular Kroger®, Private Selection®, Simple Truth®, Simple Truth Organic®, HemisFares®, Heritage Farm®, Comforts for Baby®, Big K®, Luvsome® and Pet Pride® items.

The Kroger family of companies includes specialty retailers Vitacost, Home Chef, Murray’s Cheese, The Little Clinic and Kroger Specialty Pharmacy. We also operate 253 fine jewelry stores and a jewelry retail website, Fred Meyer Jewelers.

All of the company’s operations are in the United States. These entities are all included in our financial statements, unless otherwise noted in our [Annual Report](#).

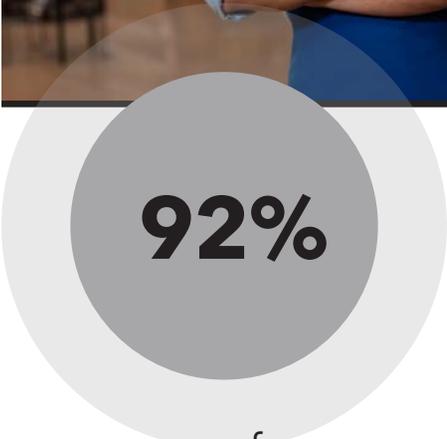


GRI 102-7, 102-8, 102-41

**OUR ASSOCIATES**

As of the end of fiscal 2018, the Kroger family of companies employed a total of 453,223 people in the United States. Associates serve in a broad range of roles and work environments, from our supermarkets to manufacturing plants, distribution centers and offices. We encourage movement across business units and divisions and offer career development opportunities. About 51% of our associates are women and 49% are men. About 92% of associates work in our retail supermarkets.

Approximately 66% of associates are covered by collective bargaining agreements negotiated with local unions affiliated with one of several different international unions. There are 363 such agreements, usually with terms of three to five years. 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 continue to communicate with local unions that represent many of our associates about the importance of growing our business and profitability, which will help us create more jobs and career opportunities as well as enhance job security for our associates.



of our associates currently work in our retail supermarket divisions.

2018 Demographics	EMPLOYMENT TYPE		Total
	Full-Time Employees	Part-Time Employees	
Female	85,299	145,458	230,757
Male	91,133	131,333	222,466
<b>Total</b>	<b>176,432</b>	<b>276,791</b>	<b>453,223</b>



GRI 102-9, 102-10

## SUPPLY CHAIN

Kroger maintains a global supplier base, with thousands of domestic and international suppliers of raw materials, ingredients and items for *Our Brands*, as well as national brand suppliers of other products we carry on our shelves for customers. We actively manage environmental, social and governance (ESG) topics of importance as part of our [Responsible Sourcing Framework](#), [Vendor Code of Conduct](#) and [Statement on Human Rights](#).

Given the diversity and breadth of products that we manufacture and sell, our supply chain – our suppliers and our suppliers' suppliers – operate in countries around the world. Our direct suppliers provide commodity inputs to *Our Brands* products, both directly to our Kroger-operated manufacturing business that produce 32% of all *Our Brands* units and to the manufacturing partners that produce the remaining *Our Brands* products under our strict specifications.

Our suppliers provide major commodities, individual ingredients and finished inputs for *Our Brands* as well as product packaging. Indirect sourcing suppliers provide other products and services such

as information technology and software; recycling and waste management; cleaning and sanitation; and health and wellness resources for our associates and customers.

Our global supply chain is constantly evolving to meet the diversity and breadth of products that the Kroger family of companies manufactures and sells. Based on a number of factors – such as changing and expanding product and service offerings like Pickup and Kroger Ship, opening and closing stores, customers' tastes and demands, internal reorganizations, social compliance requirements and audits, and more – our Procurement, Marketing and Compliance teams proactively manage a continuously changing supplier base.

GRI 102-11

## PRECAUTIONARY PRINCIPLE

The precautionary approach was introduced by the United Nations in Principle 15 of "The Rio Declaration on Environment and Development." It states: "In order to protect the environment, the precautionary approach shall be widely applied by States according to their capabilities. Where there are threats of serious or irreversible damage, lack of full scientific certainty shall not be used as a reason for postponing cost-effective measures to prevent environmental degradation."

In our own operations and in our business with suppliers, we use multiple risk management protocols to reduce risk to our associates, customers and the communities we serve. Our environmental commitments are based on the best information available regarding risks, impacts and opportunities to our business.

GRI 102-12

## EXTERNAL INITIATIVES

The Kroger family of companies is committed to responsible management of our environmental performance and sustainability strategy. We align with several external initiatives to structure our sustainability strategy and to accelerate progress on our goals and commitments. These initiatives also provide third-party credibility to our work and a means to communicate our progress to our investors and other stakeholders. These include but are not limited to:

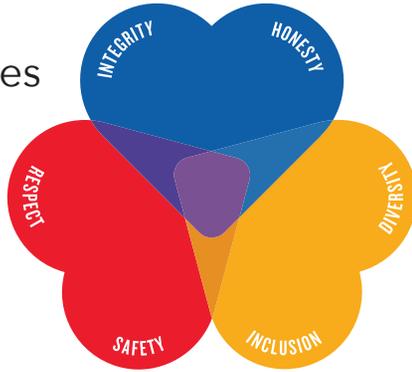
ENTITY OR PRINCIPLE	DESCRIPTION
CDP	Global disclosure system through which Kroger voluntarily reports climate and water impacts and management strategy to key investors
Dairy FARM (Farmers Assuring Responsible Management) Program	Program that assures quality and responsible management for dairy farms, cooperatives and processing facilities, including those supplying Kroger's dairy processing plants
Dow Jones Sustainability Index	Financial index that assesses companies for inclusion using environmental, social, governance and economic metrics
Fair Trade USA	Maintains product certification standards to drive environmental and social responsibility into supply chains for key commodities
Feeding America	National network of food banks, pantries and agencies to which Kroger is a founding member and ongoing partner through our Zero Hunger   Zero Waste social impact plan and Food Rescue program
Forest Stewardship Council	Product certification standard to which Kroger's goal to increase sustainable paperboard fiber in our product packaging aligns
Global Food Safety Initiative (GFSI)	Organization that sets food safety standards and drives continuous improvement in food safety management systems
Global Sustainable Seafood Initiative	Multi-stakeholder organization that benchmarks seafood sustainability standards and aligns industry on sustainability topics
Marine Stewardship Council	Maintains product certification standards for wild-caught seafood, to which Kroger has aligned its sustainable seafood commitments
Programme for the Endorsement of Forest Certification	Product certification standard to which Kroger's goal to increase sustainable paperboard fiber in our product packaging aligns
Rainforest Alliance	Maintains product certification standards to drive environmental and social responsibility into supply chains for key commodities
Sustainable Forestry Initiative	Product certification standard to which Kroger's goal to increase sustainable paperboard fiber in our product packaging aligns
World Wildlife Fund (WWF): Food Waste & Oceans Programs	Environmental organization providing thought leadership, expertise and partnership to Kroger on Zero Hunger   Zero Waste social impact plan and seafood sustainability program
U.S. EPA ENERGY STAR	Voluntary program that enhances members' energy efficiency through strategic energy management and facility certification
U.S. EPA SmartWay	Voluntary program advancing members' fleet efficiency and logistics impacts through measurement, benchmarking and improvement
U.S. EPA WasteWise	Voluntary program designed to reduce members' waste impacts through waste measurement, goal-setting and performance tracking

## MEMBERSHIP OF ASSOCIATIONS

Kroger participates in a wide variety of industry organizations, trade associations and multi-stakeholder collaborative groups. Below is a representative sample of groups in which we participate. Our individual leaders and associates also participate in numerous groups relevant to their function and/or region of the country.

ORGANIZATION	DESCRIPTION
American Bakers Association	Leading trade association for the wholesale baking industry
American Trucking Associations	Federation of state associations that increase awareness and advocate for policies to promote highway safety, security and environmental sustainability in the trucking industry
Consumer Goods Forum	CEO-led global organization of consumer goods retailers and manufacturers focused on increasing consumer trust and driving positive change and efficiency across the industry
Dairy Management, Inc. (DMI) Innovation Center for U.S. Dairy	DMI builds demand for dairy products; the Innovation Center drives industry-wide innovations and opportunities for dairy
Food Marketing Institute	Industry association representing food retailers and wholesalers that provides leadership and advocacy for the food and consumer product industry worldwide
Food Waste Reduction Alliance	Collaborative food waste reduction effort of the Food Marketing Institute, the Grocery Manufacturers Association and the National Restaurant Association
Grocery Manufacturers Association	Industry association representing the consumer packaged goods industry in the U.S. focused on ensuring that consumers have safe, healthy food and grocery options
International Dairy Foods Association	Represents the U.S. dairy manufacturing and marketing industry and suppliers, including the Milk Industry Foundation, National Cheese Institute and the International Ice Cream Association
National Retail Federation	World's largest retail trade association with a policy agenda focused on jobs, innovation and consumer value
National Association of Chain Drug Stores	Trade association representing chain community pharmacies as providers of healthcare services and consumer products
Retail Industry Leaders Association	An American trade association that promotes consumer choice and economic freedom through public policy and retail industry operational excellence
The Sustainability Consortium	Global non-profit organization focused on helping the consumer goods industry deliver more sustainable consumer products
Sustainable Packaging Coalition	Membership-based collaborative to advance the business case for more sustainable packaging
United Fresh Produce Association	Association of companies across the produce supply chain focused on increasing produce consumption
U.S. Chamber of Commerce	The world's largest business organization focused on sharing best practices and advocacy for job creation, economic growth and sustainability

## Our Values



GRI 102-16

### VALUES, POLICIES & PRINCIPLES

At Kroger, our Purpose is to Feed the Human Spirit™. We believe our world is hungry for uplift. It's a universal need, as powerful as our need for food or fuel. That's why, with caring as our currency, we feed the human spirit.

We care about our associates, customers and communities, and the rights of those with whom we work to operate our business. Our Purpose & Promise framework, [Our Values](#), Our Leadership Model and various business policies guide our actions in everything we do.

Kroger uses multiple policies and codes to ensure our associates and customers are safe and treated fairly, and to help protect human health and the environment. These include [The Kroger Co. Policy on Business Ethics](#) (for associates) and Kroger's [Vendor Code of Conduct](#) (for suppliers).

Each year, associates, including officers, are asked to affirm their understanding of Kroger's Policy on Business Ethics, respond to related questions, and submit annual statements listing gifts that they have accepted. In 2018, 100% of relevant associates acknowledged the Policy on Business Ethics.

GRI 102-18

### GOVERNANCE

Kroger's Board of Directors is the company's highest governing body. The Board includes the following committees: Audit Committee, Compensation and Talent Development Committee, Corporate Governance Committee, Financial Policy Committee, and Public Responsibilities Committee.

The two committees with the most direct oversight of ESG topics are the Audit Committee, which oversees compliance with legal, financial and regulatory requirements, and the Public Responsibilities Committee, which oversees our responsibilities as a corporate citizen and efforts to engage stakeholders and manage issues that affect our business.

Throughout the year, Kroger leaders update Board members on important ESG matters and discuss significant risks as necessary. At each Board meeting, Kroger's Chairman and CEO addresses matters of particular importance or concern, including any significant areas of risk that require Board attention. We discuss the Board's function, including the Board's oversight of enterprise risk, in our [2019 Proxy Statement](#).

Several corporate departments are involved in Kroger's risk management. The Internal Audit Department is responsible for overseeing the financial reporting of The Kroger Co. and managing our independent auditors. This group reports to the vice president, Internal Audit. The Audit Department conducts an internal Risk Assessment Survey to assess risks to the company. We use the survey results to adjust risk management strategies; assess policies, audit plans and compliance programs; and monitor issues appropriately.

Kroger's **Ethics and Compliance** team is responsible for awareness and implementation of [Kroger's Policy on Business Ethics and Anti-Corruption](#) within the Kroger family of companies as well as monitoring our vendors and suppliers' compliance with the [Vendor Code of Conduct](#) and related standards for social responsibility. This team also operates the company's helpline for associates, where concerns can be reported anonymously.

An **Environmental Compliance** team oversees the company's compliance with environmental regulations, reflecting Kroger's [Sustainability Commitment](#). This team works with managers from the corporate office, retail divisions, manufacturing plants and distribution centers to identify and clarify issues to help ensure that Kroger properly prioritizes and effectively implements environmental compliance requirements and initiatives.

Kroger's **Social Responsibility Compliance** team focuses on Kroger's commitment to safe and fair working conditions in our global supply chain. The team helps monitor and address health, safety and social risks among our international vendors and suppliers and monitors compliance with our Vendor Code of



Throughout the year, **Kroger leaders** update the Public Responsibilities Committee of the Board of Directors on important ESG topics.

Conduct and [Statement on Human Rights](#). They follow detailed standard operating policies and procedures to administer Kroger's [Social Compliance Program Requirements](#). This group receives guidance from the Social Compliance Program Executive Committee.

The Environmental Compliance and Social Responsibility Compliance teams are accountable to the vice president and Chief Ethics & Compliance Officer, as is our **General Merchandise Regulatory Compliance and Quality Assurance** team, which oversees product safety, compliance and quality requirements for our General Merchandise products and suppliers.

As a grocer, food safety is our top priority. Our **Food Technology** team oversees food safety for our manufacturing operations and our retail stores. Among many responsibilities, this team tests products we manufacture for food safety, audits all Kroger facilities and 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. This team reports to the vice president of Corporate Food Technology & Regulatory Compliance. For more details, see the [Food Safety](#) section of this report.

Our **Sourcing** team focuses on responsibly sourcing products for our extensive line of *Our Brands* products, including products we manufacture and label, reflecting our [Responsible Sourcing Framework](#). This team works in partnership with all lines of business, including Manufacturing, Ethics & Compliance, Corporate Affairs, Marketing and Retail Operations, to ensure we follow appropriate sourcing guidelines.

In addition, our **Corporate Affairs** team fosters dialogue and advocacy across Kroger's operations. Leaders in sustainability and community engagement – including community outreach and philanthropy – work internally and externally to advance our social impact and sustainability goals. Corporate Affairs managers in retail divisions from coast to coast engage with external stakeholders on a regular basis, including elected officials and other policymakers, community leaders, NGOs, media, investors and many others. This team reports to the group vice president of Corporate Affairs. Please refer to the results of our [Materiality Assessment](#) for additional details on our stakeholder engagement process.

These team leaders report regularly on performance to the Public Responsibilities and Audit Committees of Kroger's Board of Directors.

## STAKEHOLDER ENGAGEMENT

As one of the world's largest retailers, Kroger has a large and diverse group of stakeholders. We define stakeholders as those groups and individuals who affect our ability to successfully run our business, and who may be affected by our business operations. We proactively manage a wide variety of stakeholder relationships to foster open dialogue and capture feedback on key ESG topics. Our approach to engagement varies by stakeholder group.

Key stakeholders include our associates, company leaders, customers, shareholders, our neighbors in the communities where we operate, our suppliers and manufacturing partners, labor unions, local officials and elected leaders, government agencies and policy institutes, industry and trade associations, non-governmental organizations, and non-profit charitable organizations.

Kroger is committed to meaningful engagement with our stakeholders. We share information with and collect feedback from a wide range of stakeholders at all levels, from national to local. We choose to engage with stakeholder groups and individuals who are similarly committed to a constructive dialogue about how Kroger can improve our business and be a responsible corporate citizen.

In the past year, insights from several large shareholders helped shape Kroger's management approach to ESG performance and future sustainability commitments.

Notably, Kroger captured the perspective of all key stakeholder groups in a detailed materiality assessment as part of preparing our 2018 report. In addition to research and benchmarking, we conducted interviews and surveys with most of these stakeholder groups to capture feedback on and prioritize the environmental, economic, social and governance topics most relevant to Kroger. We will revisit this materiality assessment in 2020.

**[FOR MORE DETAILS, PLEASE REFER TO THE MATERIALITY ASSESSMENT IN THE ABOUT THIS REPORT SECTION.](#)**

## KEY STAKEHOLDERS AND CHANNELS

### Associates

We strive to engage with all Kroger associates on an ongoing basis – salaried and hourly managers and associates in all locations, including those who are members of collective bargaining agreements. Our goal is to share information and listen to feedback. To engage associates and connect as one team, we use employee training, one-on-one discussions and coaching, the company's intranet, email, leadership meetings and town halls, affinity and inclusion groups, internal and external social media, and an annual employee engagement survey.

**[READ MORE ABOUT KROGER'S COMMITMENT TO OUR ASSOCIATES IN THE PEOPLE SECTION.](#)**

### Labor Unions

We communicate on a regular basis with our local unions and the international unions, which represent many of our associates, through scheduled meetings, telephone calls and ongoing collective bargaining agreement negotiations throughout the year. We share the importance of growing our business and profitability, which will help us create more jobs and career opportunities, and enhance job security for our associates.

### Customers

We offer our valued customers many ways to engage with Kroger and share their ideas, feedback, opinions and concerns on an ongoing basis. These include in-store service counters, surveys, focus groups, websites and social media. We also staff Kroger Customer Connect, our live call center, (at 1-800-KRO-GERS or 1-800-576-4377) open from 8 a.m. to midnight EST from Monday through Friday, and from 8 a.m. to 9:30 p.m. EST on Saturday and Sunday, or via email.

**[READ MORE IN THE CUSTOMER SATISFACTION & DIGITAL INNOVATION SECTION.](#)**

## Communities

We foster close relationships with the neighborhoods in which we operate to establish Kroger as a trusted community partner. Key engagement channels include local giving and fundraising, service and volunteerism, weekly food donations, hunger relief, ongoing special events, store openings, media relations and more.

**FOR MORE DETAILS, SEE OUR [CUSTOMERS & COMMUNITIES SECTION](#).**

## Shareholders

Kroger's leaders, our Investor Relations team and other subject matter experts engage with shareholders throughout the year to discuss important topics related to the business. Key channels include our annual shareholders meeting, annual investor conference, quarterly earnings calls, financial reports, investor questionnaires about ESG topics, [www.thekrogerco.com](http://www.thekrogerco.com), press releases, webcasts and telephone calls.

**DISCUSSIONS WITH SHAREHOLDERS GENERALLY ALIGN WITH TOPICS FROM OUR MATERIALITY ASSESSMENT IN THE [ABOUT THIS REPORT SECTION](#).**

## Suppliers & Manufacturing Partners

Kroger's engagement with our suppliers 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.

**[PLEASE SEE THE RESPONSIBLE SOURCING AND SUPPLY CHAIN ACCOUNTABILITY SECTIONS FOR MORE INFORMATION.](#)**

## Local Officials & Elected Leaders

Our Government Relations team and Corporate Affairs leaders engage national and local elected leaders on issues that affect our business throughout the year. We also support engagement through our lobbyists, trade associations and coalition partners. In all cases, we follow the laws and regulations governing advocacy and we choose to advocate only in cases where we believe the issue could have a significant impact to our business.

**FOR MORE ABOUT OUR POLITICAL GIVING, PLEASE SEE OUR [POLITICAL CONTRIBUTION POLICY AND POLITICAL CONTRIBUTION REPORT](#).**

## Government Agencies & Policy Institutes

We engage government officials and policymakers across the country at the national, state and local levels to increase awareness of Kroger's operations and commitment as a responsible grocery retailer. Key channels include meetings and briefings, advocacy, and participation in select government and civic associations.

## Industry & Trade Associations

Kroger is a member of several industry and trade associations that serve the grocery retail, manufacturing and logistics businesses and that help advance sustainability and responsible sourcing. We participate in meetings on a regular basis.

**[A LIST OF OUR NATIONAL MEMBERSHIPS IS ON P. 9 OF THIS SECTION.](#)**

## Non-Governmental Organizations (NGOs)

Kroger engages in long-standing partnerships with many NGOs – including Feeding America, World Wildlife Fund and others – to share the vision for Kroger's Zero Hunger | Zero Waste social impact plan and our performance. We welcome constructive dialogue with NGOs on diverse sustainability topics to help advance common goals to drive positive outcomes for people and our planet.

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# About This Report

Kroger is pleased to share our 13<sup>th</sup> Sustainability report with our customers, associates, shareholders and other valued stakeholders.

In this section of our report, we include highlights from the past year, progress on our Sustainability Goals and information about our reporting process and scope for this year.

As with last year's report, this report aligns with the Global Reporting Initiative (GRI) Global Sustainability Reporting Standards, specifically the Core reporting option. We have noted specific references throughout the report to content that aligns with specific GRI standards and summarize references in the GRI Index.

We've come a long way on our journey to becoming a more sustainable company, and will continue to invest time, resources and energy to make our operations more efficient, use resources more responsibly, and improve the health, safety and well-being of people.



LETTER FROM OUR CHAIRMAN & CEO

# To Our Stakeholders:

I am pleased to share our latest Sustainability Report, our annual assessment of the Kroger family of companies' progress on topics that matter to us and to you.

Kroger has taken care of people and our planet since our earliest days. Today more than ever, we believe in Kroger's unique ability to use our core business – feeding people – to lead change and aim higher. We see the power and potential of our Zero Hunger | Zero Waste social impact plan to fulfill our purpose: to Feed the Human Spirit.™

Our vision is clear: to serve America through food inspiration and uplift. Our *Restock Kroger* plan is how we deliver this vision using four key drivers: *Redefining the Grocery Customer Experience*, *Partner for Customer Value*, *Develop Talent* and *Live Our Purpose*. We share more about these drivers in this report.

This is an exciting time for our Company and our industry. Kroger is bringing innovation to transform how America shops for food – and how we eat. Change brings opportunity; yet we recognize it also requires careful attention to *how* we lead and how we manage environmental, social and governance (ESG) topics important to our stakeholders.

As you know, the world around us is changing too—a warming climate, global population growth, loss of biodiversity, water scarcity and more. These eco-realities affect our collective ability to feed people today and in the future.

They are also the force behind Kroger's Zero Hunger | Zero Waste plan. We know 40% of food produced in the U.S. is thrown out, yet one in eight people in our country are food insecure – perhaps even someone we know. Redirecting just one-third of the food wasted in the U.S. every year would more than feed those struggling with hunger. Reducing the amount of wasted food in landfills is considered one of the top solutions to reverse the effects of climate change. We can help.

At Kroger, we are inspired and energized by this challenge and the unique role we play in changing the world. The *Live Our Purpose* pillar of *Restock Kroger* calls us to lead social change and create Zero Hunger | Zero Waste communities of the future.

Everything we do starts with our Customer obsession, and we know they care deeply about people and our planet. We are grateful for our Associates, who are passionate about our mission and dedicated to our Customers and each other.

Sincerely,

**Rodney McMullen**

Chairman and Chief Executive Officer  
The Kroger Co.

# 2020 Sustainability Goals

## RESPONSIBLE SOURCING COMMITMENTS

GOAL	TARGET YEAR (BASE YEAR IF RELEVANT)	PROGRESS
Kroger will source 100% of wild-caught seafood in our Seafood Department 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, by 2020.	2020	Kroger is currently sourcing 88% of our wild-caught fresh and frozen species by volume under these criteria. Kroger will continue to work with World Wildlife Fund to support its FIP program through funding, sourcing and supplier engagement. <a href="#">Read more.</a>
Kroger will preferentially source MSC certified wild-caught seafood and, by 2020, Kroger will source at least 90% of its volume from fisheries that are MSC certified.	2020	Kroger is currently sourcing 75% of our total volume from MSC certified fisheries. Kroger will continue to work with World Wildlife Fund to support its FIP program through funding, sourcing and supplier engagement. <a href="#">Read more.</a>
Kroger maintains its commitment to source 100% of shelf-stable tuna from companies aligned with the International Sustainable Seafood Foundation (ISSF).	Ongoing	Kroger continues to source 100% of shelf-stable tuna from ISSF member companies. We also review their compliance reports annually to identify any concerns. <a href="#">Read more.</a>
Kroger will source 100% of farm-raised seafood in our Seafood Department from farms certified to sustainable seafood certifications and programs recognized by the Global Sustainable Seafood Initiative (GSSI), by 2020.	2020	In 2018, 89% of the farm-raised seafood we procured in our Seafood Department case was from sources certified to a third-party certification scheme recognized by the GSSI. <a href="#">Read more.</a>

Our Sustainability Goals help us prioritize our investments and efforts to become a more sustainable and responsible company. We will continue to update our goals as Kroger's business and sustainability topics evolve.

[READ MORE ABOUT OUR ZERO HUNGER | ZERO WASTE GOALS.](#)

GOAL	TARGET YEAR (BASE YEAR IF RELEVANT)	PROGRESS
Kroger's goal is to transition to a 100% cage-free egg supply chain by 2025.	2025	By 2018, the percentage of eggs we sold that met or exceeded cage-free requirements increased to 23.4%. We anticipate being able to increase the percentage of eggs that are cage-free as our suppliers make these available, and commit to working with our supply chain to influence this work. <a href="#">Read more.</a>
Kroger's goal is to source 100% of fresh pork from suppliers and farms that have transitioned away from gestation crates by 2025.	2025	By 2018, close to half of Kroger's fresh pork supply has transitioned away from gestation crates. <a href="#">Read more.</a>
Kroger committed to purchase 100% of palm oil in <i>Our Brands</i> products from suppliers certified by the Roundtable on Sustainable Palm Oil (RSPO) supply chain standards by 2015.	2015	<b>Achieved!</b> Kroger continues to work with its <i>Our Brands</i> suppliers to uphold this commitment, which we first achieved at the end of 2015. <a href="#">Read more.</a>
All dairy farms providing milk to Kroger manufacturing plants will be enrolled and in good standing in the National Dairy FARM (Farmers Assuring Responsible Management) program.	Ongoing	<b>Achieved!</b> 100% of dairy farms supplying raw milk and all other dairy products to Kroger's dairy processing facilities are currently enrolled in the FARM program. <a href="#">Read more.</a>
We have a zero-tolerance policy for violations of our vendor code of conduct. Our customers trust that the products we bring to market are sourced from reputable suppliers who provide safe and fair working conditions for their workers. Kroger is working to ensure an ethical supply chain for the products sold in our stores.	Ongoing	Kroger requires social compliance audits for all <i>Our Brands</i> products produced at facilities located outside the U.S., unbranded products (such as bulk) produced at facilities outside the U.S., and direct import national brand products where Kroger is the importer of record. In 2018, Kroger upheld its commitment to have a zero-tolerance policy for suspected child labor, slavery and attempted bribery during audits. <a href="#">Read more.</a>
Kroger will partner with The Sustainability Consortium (TSC) to assess key commodities using their commodity mapping tool, which is designed to help identify and further understand social and environmental risks in upstream commodities.	Ongoing	In 2018, Kroger partnered with TSC experts to engage several suppliers directly, using TSC's established KPIs in the form of performance assessments, across multiple commodity categories: chocolate, cocoa, coffee, sugar, wheat, corn and soy. These KPIs address five primary impact areas: resources, ecosystems and biodiversity, climate, social well-being, and health and safety. <a href="#">Read more.</a>

## ENVIRONMENTAL STEWARDSHIP COMMITMENTS

GOAL	TARGET YEAR (BASE YEAR IF RELEVANT)	PROGRESS
<b>ZERO WASTE</b>		
<p>Company-wide, Kroger aims to ultimately meet and exceed the Zero Waste threshold of 90% diversion from landfill.</p>	2020	<p>In 2018, Kroger diverted 76% of waste generated from landfill using reduction, reuse and recycling methods. This is an increase of 4% over the previous year's diversion rate, which we have restated due to an updated calculation methodology. <a href="#">Read more.</a></p>
<p><b>Source Reduction</b> Continue to integrate Reusable Plastic Containers (RPCs) into our network to reduce waste in the first place as well as test new technologies that reduce waste in the supply chain.</p>	2020	<p>In 2018, Kroger shipped 160 million RPCs of fresh produce to our stores, an increase of approximately 14% from 2017. <a href="#">Read more.</a></p>
<p><b>Feeding People</b></p> <ul style="list-style-type: none"> <li>• Continue to expand eligible foods into the Zero Hunger   Zero Waste Food Rescue programs.</li> <li>• Implement food rescue programs in Kroger family of stores distribution centers.</li> <li>• Continue to train associates and collaborate with local food banks to increase food rescue.</li> </ul> <p><a href="#">LEARN MORE ABOUT OUR ZERO HUNGER   ZERO WASTE GOALS AND PROGRESS HERE.</a></p>	2020	<p>In 2018, Kroger continued to expand the scope of and participation in our Zero Hunger   Zero Waste Food Rescue program.</p> <ul style="list-style-type: none"> <li>• We rescued 100 million pounds of fresh food from our retail stores, manufacturing plants and distribution centers for donation to Feeding America-affiliated food banks.</li> <li>• By the end of 2018, 83% of stores donate food consistently every month and 51% of stores donate food from all five approved perishable food departments.</li> <li>• We piloted seafood donation in our Smith's division. Stores in this division are donating tilapia, Atlantic salmon and catfish to local food banks in need, and Kroger is expanding this program across the company in 2019.</li> <li>• Fresh artisan breads and prepared meal kits are now eligible for donation in most locations. <a href="#">Read more.</a></li> </ul>
<p><b>Feeding Animals</b> In both our plants and retail locations, Kroger will continue to expand animal feed processes that allow us to donate safe and nutritious food scraps to animals, where feasible.</p>	2020	<p>In 2018, we diverted 128,000 tons of food waste to animal feed operations. Currently, 2,039 stores have programs in place to divert food waste to animal feed, composting and anaerobic digestion operations. <a href="#">Read more.</a></p>

GOAL	TARGET YEAR (BASE YEAR IF RELEVANT)	PROGRESS
<p><b>Industrial Uses</b> In California, Kroger’s innovative Food Recovery System processes food waste and dairy plant effluent through anaerobic digestion. Kroger will continue to look for opportunities to leverage this technology elsewhere.</p>	2020	<p>Kroger currently operates two anaerobic digesters: one in Compton, Calif., that processes organic waste from our California stores, and one in Greensburg, Ind., that processes food byproducts using anaerobic digestion during the wastewater treatment process. Kroger’s Fred Meyer division sends unsold organics to a third-party anaerobic digester operated by Divert, Inc., based in Concord, Mass. In 2018, we diverted 58,800 tons of organic waste to anaerobic digestion operations. Currently, 2,039 stores have programs in place to divert food waste to animal feed, composting and anaerobic digestion operations. <a href="#">Read more.</a></p>
<p><b>Composting</b> In retail locations, we will continue to expand composting operations that provide nutrients back to our environment, where feasible.</p>	2020	<p>In 2018, we diverted 15,965 tons of organic waste to composting operations. Currently, 2,039 stores have programs in place to divert food waste to animal feed, composting and anaerobic digestion operations. <a href="#">Read more.</a></p>
<p><b>Plastic Recycling</b> Kroger will recycle over 200 million pounds more plastic by the end of 2020, from a baseline of 2016.</p>	2020 (2016)	<p>In 2018, Kroger recycled 52.156 million pounds of plastic in its operations, for a total of 186.64 million pounds since the 2016 goal baseline. We will continue to expand our plastic recycling capabilities and efforts moving forward. <a href="#">Read more.</a></p>
<p><b>Cardboard Recycling</b> Kroger will recover over 3.3 billion tons of cardboard annually by the end of 2020.</p>	2020	<p>Kroger stores, manufacturing plants and distribution facilities recycled more than 1.48 billion pounds of corrugated cardboard in 2018. <a href="#">Read more.</a></p>
<p><b>Construction Sites</b> Our goal was to have 50% of new stores and remodels to be zero waste in 2018.</p>	2018	<p>In 2018, 123 projects achieved zero waste, meaning they diverted 90% or more of the waste produced away from landfill. This represents 45% of projects that participated in zero waste, and 40% of all projects. In total, these projects diverted 37,000 tons of waste from landfill, or 81% of all waste produced. <a href="#">Read more.</a></p>

GOAL	TARGET YEAR (BASE YEAR IF RELEVANT)	PROGRESS
<b>OUR BRANDS PACKAGING OPTIMIZATION</b>		
<p>By 2020, Kroger will optimize packaging in <i>Our Brands</i> by following a balanced, multi-pronged approach that considers design attributes including but not limited to food safety, shelf life, availability, quality, material type and source, function, recyclability and cost.</p> <p><b>Responsible Sourcing</b> Increase certified virgin fiber sourcing from well-managed forests. Kroger will accept the Forest Stewardship Council (FSC), Sustainable Forest Initiative (SFI), and Programme for the Endorsement of Forest Certification (PEFC) for paperboard packaging.</p> <p><b>Increase Recycled Content</b> Kroger will utilize at least 20% post-consumer recycled content in its packaging for <i>Our Brands</i> manufactured products.</p> <p><b>Stakeholder Communication</b> Kroger is committed to enabling customer sustainability and increasing the recyclability communication on all applicable <i>Our Brands</i> packaging by 2020. We forecast that each year we will triple the number of products that have our “Please Recycle” directive and chasing arrows symbol on our products’ packaging labels.</p> <p><b>Increase Recyclability</b> Through the design optimized process, Kroger will strive to increase the recyclability of <i>Our Brands</i> manufactured plastic packaging.</p> <p><b>Packaging Reduction</b> Kroger will reduce the amount of plastic resin by 10 million pounds for <i>Our Brands</i> manufactured products.</p> <p><b>Support Recycling Infrastructure Expansion</b> Kroger will support the expansion of infrastructure to increase the availability and accessibility of recycling for <i>Our Brands</i> packaging through industry, governmental and non-governmental forums where feasible.</p>	<p>2020</p>	<p>Kroger uses paper packaging in such product categories as crackers, cookies, oatmeal, ice cream, baked goods and beverage cartons. At present, the majority of the paper packaging items we source into our Manufacturing plants are from certified sources.</p> <p>We are currently calculating our progress on our recycled content goal as part of assessing our overall packaging footprint. In parallel, we are identifying products that are good candidates for recycled content material, particularly in plastic packaging. Meanwhile, our paper, aluminum, steel and glass packaging tends to contain more recycled content due to better established recycling markets for these materials.</p> <p>As we update our product packaging, we label recyclable <i>Our Brands</i> products according to the Federal Trade Commission’s Green Guides, prompting our customers to “Please Recycle” relevant packaging.</p> <p>We keep in close contact with our supplier and sourcing partners to keep track of innovations that that increase packaging recyclability and reuse. We are also evaluating multi-stakeholder initiatives focused on improving recycling infrastructure, so we can contribute to scalable solutions to create new and improved materials recovery streams.</p> <p>We are making excellent progress on our goal to implement 10 million pounds of plastic resin reduction (or light-weighting) in plastic packaging used in our product manufacturing. By the end of 2018, we had achieved more than 9.1 million pounds of resin reduction. By May 2019, we had rolled out our new lighter-weight milk jugs (we reduced the weight per jug by 10%) to all 15 dairy processing plants that produce milk.</p> <p><a href="#">Read more.</a></p>

GOAL	TARGET YEAR (BASE YEAR IF RELEVANT)	PROGRESS
<b>ENERGY AND CARBON EMISSIONS REDUCTION</b>		
<b>Transportation Efficiency</b> Kroger will improve our Ton Miles Per Gallon (TMPG) by 20% by 2020, using a 2010 baseline.	2020 (2010)	As of 2018, Kroger achieved a 10.21% improvement since 2010, up from 8.1% in 2016. <a href="#">Read more.</a>
<b>Refrigerant Leaks</b> Kroger committed to reduce refrigerant leaks by 9% in its stores by 2018, as part of the U.S. EPA's GreenChill Program.	2018	While our absolute refrigerant emissions in terms of CO <sub>2</sub> equivalents decreased in 2018, we did not meet the goal to reduce our company-wide refrigerant leakage rate in supermarkets by 9%. Many of our divisions continued to decrease their leak rates and even performed better than the 2018 company goal. We anticipate meeting our 2019 reduction goal in the coming year. <a href="#">Read more.</a>
<b>Energy Consumption</b> Kroger will achieve a 40% electricity savings in its supermarkets by 2020, using 2000 as a baseline year.	2020 (2000)	Kroger's retail group has now achieved—and surpassed—this goal, ahead of schedule. By 2018, we achieved a 44.9% savings compared to our baseline year. Through this goal, we have saved over 2 billion kWh in our stores since 2000. <a href="#">Read more.</a>
Kroger Manufacturing sets annual goals to reduce electricity consumption per unit produced by 3%.	2018	Our plants increased electricity consumption by 0.36% per unit of production in 2018 (total electricity consumption decreased by 2.42%). <a href="#">Read more.</a>
Kroger Manufacturing sets annual goals to reduce natural gas consumption per unit produced by 3%.	2018	Our plants increased natural gas consumption by 4.95% per unit of production in 2018 (total natural gas consumption increased by 2.05%). <a href="#">Read more.</a>
<b>WATER REDUCTION</b>		
Kroger will reduce water consumption by 5% by 2020 in its supermarkets, using 2015 as a baseline year.	2020 (2015)	To date, Kroger has achieved water savings of 2.2% in retail operations, or approximately 95 million gallons of water, thanks to water efficiency measures and improvements. <a href="#">Read more.</a>
Kroger Manufacturing sets annual goals to reduce water consumption-per-unit-produced by 3%.	2018	Our plants increased water consumption by 3.44% per unit of production (total water consumption increased by 0.58%). <a href="#">Read more.</a>

# Report Overview



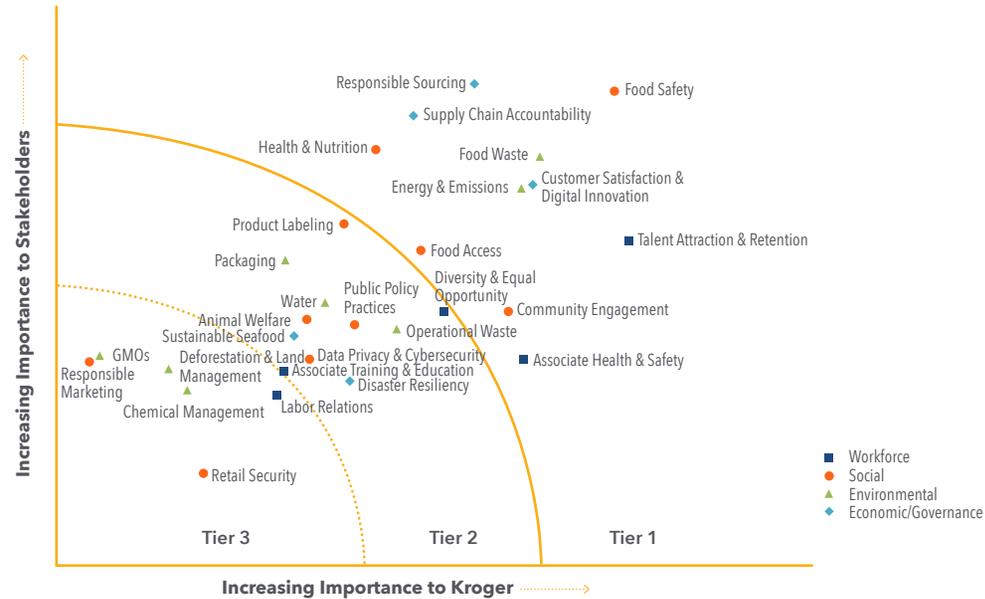
## UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

The Kroger family of companies supports the direction and collaborative approach of the United Nations Sustainable Development Goals (SDGs). We recognize the importance of these collective Global Goals in achieving a future toward which we all strive—where we can sustain, nourish and empower our growing world population while protecting our planet. Due to the size and nature of our business, we believe Kroger is uniquely positioned to contribute significantly to several key SDGs.

Kroger’s **Zero Hunger | Zero Waste** social impact plan plays an important part in our support of global sustainable development. Our bold plan shares our commitment to end hunger in our communities and eliminate waste across our company by 2025. **SDG 2: Zero Hunger** directly aligns with our target to donate 3 billion meals by 2025, which is five years ahead of the Global Goal. **SDG 12: Responsible Consumption and Production** aligns with our goals to achieve zero waste in our operations by 2020, zero food waste across our company by 2025, and to improve the sustainability of our product packaging.

Our **Zero Hunger | Zero Waste** plan and other social and environmental commitments and initiatives advance positive outcomes on several additional Sustainable Development Goals, including:

- Our healthy and nutritious products as well as the health care and pharmacy services we provide to more than nine million customers we serve every day support **SDG 3: Good Health and Well-Being**.
- Our health and safety programs in our facilities, the thousands of new jobs we create each year, and our commitment to protect human rights in our supply chain contribute to the objectives of **SDG 8: Decent Work and Economic Growth**.
- Our investments in energy efficiency, reductions in refrigerant emissions, and renewable energy installations all advance the objectives of **SDG 13: Climate Action**.
- Our commitments to source wild-caught, farm-raised and canned tuna from sustainable fisheries support the objectives of **SDG 14: Life Below Water**.
- Our sustainable sourcing commitments and the products we carry that are certified to third-party standards protecting environmental biodiversity advance **SDG 15: Life On Land**.



GRI 102-46, 102-47

## Defining Report Content

In preparation for publishing our 2018 Sustainability Report in accordance with the GRI Global Sustainability Reporting Standards, we conducted our first formal sustainability materiality assessment in late 2017/early 2018. Under the guidance of a consultant, this process demonstrated our commitment to applying each of GRI’s Reporting Principles and the findings continue to inform our work and this new 2019 report.

**Identification:** We determined relevant topics for our business to consider by reviewing the priorities of each stakeholder group through sustainability reports, sustainability ratings and rankings, reporting frameworks, industry reports, consumer surveys and media scans. In total, we identified 28 significant topics for prioritization.

**Prioritization:** To prioritize these topics and apply the Stakeholder Inclusiveness Principle, we conducted interviews with 20 internal and external stakeholders and distributed surveys that received responses from an additional 34 internal and 30 external stakeholders. We asked stakeholders about the impacts the Kroger family of companies causes or contributes to, how important each topic is to their organization, the extent to which the topic represents a risk or opportunity and where they expect us to manage the topic—both internally and along our value chain.

Analyzing the input from all stakeholders, we prioritized 11 topics as most “material” – that is, topics foundational to our license to operate and/or with high levels of company-specific risk, opportunity or ability to impact. We identified boundaries for each topic based on stakeholder expectations and our management practices.

**Validation:** Kroger’s Corporate Affairs team and select company leaders reviewed and validated the topics prioritized through our materiality assessment. The validated topics shaped the content of our 2018 Sustainability Report and have continued to guide the content for this 2019 Sustainability Report. This report details the Kroger family of companies’ management approach and performance for the 11 Tier 1 topics shown above. We also provide information for several Tier 2 and Tier 3 topics of particular interest to our stakeholders.

The material topics we identified through our materiality assessment are consistent with the topics and issues raised by our stakeholders as we engage with them throughout the year.

## Environmental, Social and Governance (ESG) Report Topics

Below, we summarize the sections of this report to provide a topic description, topic boundary (internal and/or external), and additional resources and information related to each topic. Our management approach to these topics, as well as which stakeholders are particularly concerned about them, are included in the relevant sections of the report.

TOPIC NAME (TIER NO.)	TOPIC DESCRIPTION	BOUNDARY	REPORT SECTION	KEY RESOURCES AND ADDITIONAL INFORMATION
<b>ENVIRONMENTAL</b>				
Energy & Emissions (1)	Implementing solutions (such as renewable energy and energy/refrigeration efficiency) to manage risks and opportunities related to climate change, energy consumption and greenhouse gas emissions in our retail, manufacturing, supply chain and building operations.	<b>Internal</b> –Retail Operations, Manufacturing, Supply Chain <b>External</b> –Suppliers to Manufacturing	Planet	<ul style="list-style-type: none"> <li>• <a href="#">Sustainability Commitment</a></li> <li>• <a href="#">2020 Sustainability Goals</a></li> <li>• <a href="#">Climate Impact Reduction Statement</a></li> </ul>
Food Waste (1)	Working across our value chain to reduce and repurpose spoiled and excess food in our direct operations, on farms, and with consumers through efficiencies, education and labeling practices.	<b>Internal</b> –Manufacturing, Corporate Affairs, Retail Operations <b>External</b> –Farmers, Food/Perishables Suppliers	Planet	<ul style="list-style-type: none"> <li>• <a href="#">Sustainability Commitment</a></li> <li>• <a href="#">2020 Sustainability Goals</a></li> <li>• <a href="#">Zero Hunger   Zero Waste Social Impact Plan</a></li> <li>• <a href="#">Zero Hunger   Zero Waste Innovation Fund</a></li> </ul>
Zero Waste (2)	Striving for zero waste in our retail and food manufacturing operations through diversion from landfills, and identifying cost-effective and responsible waste alternatives.	<b>Internal</b> –Stores and food production plants	Planet Zero Hunger   Zero Waste	<ul style="list-style-type: none"> <li>• <a href="#">Sustainability Commitment</a></li> <li>• <a href="#">2020 Sustainability Goals</a></li> <li>• <a href="#">Zero Hunger   Zero Waste Social Impact Plan</a></li> <li>• <a href="#">Kroger + Loop Partnership</a></li> </ul>
Sustainable Product Packaging (2)	Reducing material use through pooled/reused industrial packaging and more sustainable consumer goods packaging; providing recycling and waste reduction opportunities for consumers.	<b>Internal</b> –Corporate (Product Design, Sourcing, Government Affairs) <b>External</b> –CPG Suppliers, Packaging Suppliers	Products	<ul style="list-style-type: none"> <li>• <a href="#">Sustainability Commitment</a></li> <li>• <a href="#">2020 Sustainability Goals</a></li> <li>• <a href="#">Kroger + Loop Partnership</a></li> </ul>
Water (2)	Reducing water use, increasing reuse and managing water discharge quality to protect local water sources.	<b>Internal</b> –Food manufacturing plants, stores <b>External</b> –Farmers, Suppliers	Planet	<ul style="list-style-type: none"> <li>• <a href="#">Sustainability Commitment</a></li> <li>• <a href="#">2020 Sustainability Goals</a></li> </ul>
<b>SOCIAL</b>				
Customer Satisfaction & Digital Innovation (1)	Providing exceptional service and value and improving the customer experience through advances in areas such as online ordering, home delivery and availability of digital solutions that offer greater flexibility in how customers shop.	<b>Internal</b> –All operations <b>External</b> –Customers	Customers & Communities	<ul style="list-style-type: none"> <li>• <a href="#">Kroger Pickup FAQs</a></li> <li>• <a href="#">Kroger Delivery FAQs</a></li> <li>• <a href="#">Kroger Rush Delivery FAQs</a></li> <li>• <a href="#">Kroger Ship</a></li> <li>• <a href="#">Kroger Pay</a></li> <li>• <a href="#">Scan, Bag, Go</a></li> <li>• <a href="#">Responsible Marketing Statement</a></li> </ul>
Health & Nutrition (1)	Encouraging customers to include more healthful and nutritious products, including organics, in their baskets to improve customer health; monitoring our products to eliminate product fraud; supporting wellness in the communities in which we operate through our pharmacy and retail health clinic operations; and ensuring our product selection supports women’s health and infant nutrition.	<b>Internal</b> –Manufacturing, Marketing, Retail Operations, Technology, Sourcing/Procurement <b>External</b> –Community, Customers, Suppliers	Customers & Communities	<ul style="list-style-type: none"> <li>• <a href="#">www.KrogerHealth.com</a></li> <li>• <a href="#">Kroger Pharmacy</a></li> <li>• <a href="#">The Little Clinic®</a></li> <li>• <a href="#">OptUP App</a></li> <li>• <a href="#">Wellness Your Way</a></li> <li>• <a href="#">Kroger Prescription Plans</a></li> </ul>

TOPIC NAME (TIER NO.)	TOPIC DESCRIPTION	BOUNDARY	REPORT SECTION	KEY RESOURCES AND ADDITIONAL INFORMATION
<b>SOCIAL (CONTINUED)</b>				
Food Access (1)	Fighting hunger by ensuring the availability of sufficient, affordable and nutritious food to support an active and healthy life for customers and the communities where we operate.	<b>Internal</b> –Manufacturing, Retail Operations,Sourcing/ Procurement  <b>External</b> –Community, Customers, Suppliers	Customers & Communities  Zero Hunger   Zero Waste	<ul style="list-style-type: none"> <li>• <a href="#">Zero Hunger   Zero Waste</a></li> <li>• <a href="#">Lifting Up Our Communities</a></li> <li>• <a href="#">Charitable Giving Guidelines</a></li> <li>• <a href="#">Request a Donation</a></li> <li>• <a href="#">Zero Hunger   Zero Waste Innovation Fund</a></li> </ul>
Community Engagement (1)	Being a trusted partner in the communities where our associates and customers live by providing social and financial opportunities, including providing volunteers and purposeful support (such as donations) to food banks, local organizations and schools, and supporting our military service men and women and their families.	<b>Internal</b> –All operations <b>External</b> –All operations	Customers & Communities	<ul style="list-style-type: none"> <li>• <a href="#">Lifting up Our Communities</a></li> <li>• <a href="#">Community Engagement Principles</a></li> <li>• <a href="#">Charitable Giving Guidelines</a></li> <li>• <a href="#">Request a Donation</a></li> <li>• <a href="#">Community Rewards</a></li> <li>• <a href="#">Responsible Marketing Statement</a></li> </ul>
Talent Attraction & Retention (1)	Making Kroger a workplace of choice by providing competitive wages, high-quality benefits and a safe, healthy, inclusive culture that fosters career advancement and purpose.	<b>Internal</b> –All operations <b>External</b> –Communities, Customers	People	<ul style="list-style-type: none"> <li>• <a href="#">Kroger Careers</a></li> <li>• <a href="#">Feed Your Future</a></li> </ul>
Associate Health & Safety (1)	Providing proper safety training and equipment, safe working conditions and access to resources to maintain and improve associates’ well-being.	<b>Internal</b> –All operations	People	<ul style="list-style-type: none"> <li>• <a href="#">Our Purpose &amp; Values</a></li> <li>• <a href="#">Safety Creed</a></li> </ul>
<b>GOVERNANCE</b>				
Responsible Sourcing (1)	Developing and adhering to procurement practices that support supplier inclusion, high-quality manufacturing standards, regional sourcing, traceability, human rights, conflict-free minerals and gems, and environmental stewardship.	<b>Internal</b> –Corporate (Sourcing) <b>External</b> –Suppliers	Products	<ul style="list-style-type: none"> <li>• <a href="#">Responsible Sourcing Framework</a></li> <li>• <a href="#">Vendor Code of Conduct</a></li> <li>• <a href="#">Statement on Human Rights</a></li> <li>• <a href="#">Animal Welfare Policy</a></li> <li>• <a href="#">Sustainable Seafood Policy</a></li> <li>• <a href="#">Deforestation Statement</a></li> <li>• <a href="#">Supplier Diversity</a></li> </ul>
Supply Chain Accountability (1)	Holding our suppliers accountable for meeting our standards through assessments of environmental, social and human rights practices (including forced/compulsory labor, child labor, migrant workers, and indigenous peoples’ rights); and working to improve the traceability of <i>Our Brands</i> products.	<b>Internal</b> –Corporate (Sourcing) <b>External</b> –Suppliers	Products	<ul style="list-style-type: none"> <li>• <a href="#">Vendor Code of Conduct</a></li> <li>• <a href="#">Social Compliance Program Requirements</a></li> <li>• <a href="#">Social Compliance Audit Content</a></li> <li>• <a href="#">Supplier Hub</a></li> <li>• <a href="#">General Merchandise Requirements</a></li> <li>• <a href="#">Animal Welfare Policy</a></li> </ul>
Food Safety (1)	Ensuring the products we offer and manufacture are wholesome, fresh and safe for our customers by establishing and maintaining science-based food preparation and handling; and developing and maintaining programs to address emerging food safety topics.	<b>Internal</b> –Manufacturing, Supply Chain, Retail Operations  <b>External</b> –Customers, Suppliers	Products	<ul style="list-style-type: none"> <li>• <a href="#">Food Safety</a></li> <li>• <a href="#">Recall Alerts</a></li> </ul>

GRI 102-48, 102-49, 102-50, 102-51, 102-52

## Report Scope

This report covers the Kroger family of companies' 2018 fiscal year, which ran from February 4, 2018 to February 2, 2019. Unless otherwise noted, data included in the report reflects this time period. Kroger publishes its sustainability reports annually. Our previous sustainability report, covering the 2017 fiscal year, was published in July 2018.

Kroger's financial statements reflect all Kroger operations, including all banners and divisions, unless otherwise noted in the Annual Report. This sustainability report incorporates most of our operations, except for certain data sets where we are still integrating more recently-acquired banners into our tracking systems. As data access improves or our business changes, we will adjust our performance tracking accordingly and note this in the relevant report section.

The findings of the materiality assessment that we conducted in early 2018 are largely consistent with the current focus of Kroger's sustainability efforts. While our emphasis on certain topics has increased or decreased somewhat since the original assessment, the overall scope of topics included in this report remains the same.

GRI 102-54, 102-55

## GRI Alignment

This report has been prepared in accordance with the GRI Global Sustainability Reporting Standards: Core option.

The GRI Index for this report can be [downloaded here](#).

We have included references throughout this report to indicate where content aligns with the relevant disclosures under the GRI Global Sustainability Reporting Standards.

## SASB Standards

In 2018, Kroger was appointed to the Sustainability Accounting Standards Board (SASB)'s Standards Advisory Group. This group of volunteer industry experts are appointed to advise SASB on emerging issues that should be considered in the standards development process. In 2018, SASB released 77 sector-specific standards to guide companies in identifying, managing and communicating financially-material sustainability information in a way that is meaningful to investors and relevant to their sector. Kroger is tracking the development and adoption of these standards and will aim to expand our future reporting to reflect additional metrics under the standards' Sustainability Disclosure Topics.

## Recognition

To view a summary of achievements and recognition for the Kroger family of companies, [click here](#).

About  
Kroger

About This  
Report

Zero Hunger |  
Zero Waste

Zero Hunger

Zero Waste

Zero Hunger | Zero  
Waste Champions



# Zero Hunger | Zero Waste

Our Customers  
& Communities

Our People

Our Planet

Our Products

GRI Index

2018 Awards

Kroger's Zero Hunger | Zero Waste social impact plan was inspired by Our Purpose – to Feed the Human Spirit™. As part of our Restock Kroger plan, it's also how we live Our Purpose every day. Our Zero Hunger | Zero Waste commitment evolved from a strategic look at what was authentic to our past and how we can uniquely drive positive change in our communities.

Zero Hunger | Zero Waste addresses a fundamental absurdity in our food system: an estimated 40% of the food produced in the U.S. is thrown away, yet 1 in 8 Americans experiences hunger.

We believe in a future with Zero Hunger | Zero Waste, and we're making it happen.

Follow our journey at #ZeroHungerZeroWaste

# Kroger's Plan

to end hunger in our communities and eliminate waste in our company by 2025

## OUR MISSION

A world with Zero Hunger | Zero Waste: that's our commitment. As America's grocer, we believe we have the size and scale, expertise and local connections to tackle this challenge.

Kroger's Zero Hunger | Zero Waste plan includes ambitious goals for a better future. We don't have all the answers, and we can't do it alone. We continue to collaborate with long-standing and new national partners, advisers and innovators who are helping solve the complex problems surrounding food insecurity and waste.

Thanks to our dedicated associates, generous customers and partners, we are making significant progress on our Zero Hunger | Zero Waste 7-point plan. We will keep sharing our story to raise awareness among our stakeholders of the role we each play in solving such big challenges.

*"Achieving Zero Hunger | Zero Waste requires creative ideas and scalable solutions to disrupt the food system as we know it. I can promise you that we are not letting our foot off the accelerator. We have big plans for this year and, together, there is nothing we can't do."*

**Jessica Adelman**

Group Vice President  
Corporate Affairs



**Establish a \$10 million innovation fund** through The Kroger Co. Foundation



**Accelerate food donations to give 3 billion meals by 2025**



**Donate not just more food, more balanced meals**



**Advocate for public policy solutions** to address hunger and help communities divert food waste from landfills



**Achieve prior goal to be a Zero Waste company by 2020, plus achieve Zero Food Waste by 2025** in all stores and across the company



**Join forces with new and long-standing partners** – including Feeding America and the World Wildlife Fund



**Transform Kroger communities and improve health** for millions of Americans by 2025



# Highlights



Through leadership and engagement, Kroger continues to make progress on our journey to achieve Zero Hunger | Zero Waste. In fact, Kroger ranked #6 on Fortune magazine's *Change the World* 2018 list of companies using their resources to solve society's most complex issues, citing Zero Hunger | Zero Waste.



## ZERO HUNGER

# \$192M

**\$192 MILLION** TO END HUNGER  
IN OUR COMMUNITIES  
TOTAL CHARITABLE GIVING:  
**\$328 MILLION**

# 316M

**316 MILLION MEALS** FOR  
FOOD INSECURE FAMILIES  
IN OUR COMMUNITIES

# 100M

KROGER ASSOCIATES RESCUED  
**100 MILLION POUNDS** OF  
WHOLESOME FOOD FROM  
STORES, PLANTS AND DCs

## ZERO WASTE

# 76%

**76% WASTE DIVERSION**  
TOTALING 2 MILLION TONS  
OF WASTE DIVERTED FROM  
LANDFILLS COMPANY-WIDE

# 13%

FOOD WASTE  
DIVERSION  
**INCREASED 13%**

# 34 of 36

**34 OF 36** KROGER-OPERATED FOOD PROCESSING  
PLANTS WERE ZERO WASTE

# 19%

TOTAL RECYCLING  
**INCREASED 19%**

# Zero Bags

COMMITTED TO PHASE OUT SINGLE-USE PLASTIC  
GROCERY SHOPPING BAGS **BY 2025**

# Our Plan: Progress to Date

GOAL	TARGET YEAR	PROGRESS
Establish \$10 million Innovation Fund	2018	Established The Kroger Co. Zero Hunger   Zero Waste Foundation to advance our mission. Introduced the <a href="#">Zero Hunger   Zero Waste Innovation Fund</a> to help fill the gap in philanthropic funding to end food waste. First open call resulted in nearly 400 funding requests for \$1 million in grants.
Accelerate food donations to give 1 billion meals by 2020; 3 billion by 2025	2020	Rescued 100 million pounds of food company-wide in 2018 through Zero Hunger   Zero Waste Food Rescue, a 10% increase from 2017.
	2025	Achieved 2018 store participation goals: 83% of stores donate food consistently every month, and 51% of stores rescue food from all five fresh departments.  With food and funds combined, Kroger and The Kroger Co. Foundation have directed nearly 650 million meals in two years toward our three-year, 1-billion-meal goal.
Donate not just more food, more balanced meals	2025	Tested programs to expand Zero Hunger   Zero Waste Food Rescue to include additional items for higher nutrition. Examples include: 1) fresh, never-frozen seafood; 2) select Deli fresh prepared foods; and 3) excess raw milk captured for processing.
Advocate for public policy solutions	2025	Convened and joined multi-stakeholder discussions about hunger and waste at national and local levels.  Worked with states to expand items that can be safely donated; supported recycling infrastructure development where needed.
Achieve prior goal to be a zero waste company by 2020; achieve zero food waste by 2025	2020	Achieved 76% waste diversion from landfill company-wide, up 4% from restated 2017 results. Increased total recycling 19% and increased plastics recovered for recycling by 15%.
	2025	Reduced Kroger's retail food waste footprint by 9% and increased food waste diversion from landfill by 13% vs. the 2017 baseline. Added 61 retail stores to our food waste recycling program.  First major U.S. retailer to commit to phasing out single-use plastic grocery shopping bags and transition to more sustainable options.  Formed partnership with TerraCycle as exclusive U.S. grocery retail partner for Loop, a circular packaging platform to help reduce single-use plastics in the environment.  Began introducing <i>Our Brands</i> products with standardized date labels to help customers reduce waste at home.
Work with key partners	Ongoing	Working with Feeding America, World Wildlife Fund, ReFED and other partners to advance our mission.
Transform our communities	2025	We continue to work toward our moonshot – a world with Zero Hunger   Zero Waste.



ZERO HUNGER | ZERO WASTE

# Zero Hunger

We want as much food as possible to fulfill its highest purpose: feeding people. The Kroger team focused on these key workstreams in 2018 to help make that happen:

**Rescue more food:**

We continue to increase the amount food we donate through Kroger's Zero Hunger | Zero Waste Food Rescue program.

**Apply insights:**

We are connecting insights from 84.51° – Kroger's customer insights and analytics team – and others to identify opportunities and geographic areas where we can make a difference and help end hunger.

**Engage customers & partners:**

Kroger offers ways for our customers and supplier partners to join our journey.

More information on these topics is provided on the following pages.



As America's grocer, Kroger wants everyone to have the food they need for a healthy lifestyle. We continue to develop and support solutions to help bring more affordable, fresh food into the communities we serve.



SPOTLIGHT

## ZERO HERO: FOOD RESCUE

**Georgann Parker**, Retail Operations manager in Cincinnati, leads our Zero Hunger | Zero Waste Food Rescue program. She answers a few questions about her work:

**Q: How would you describe your work?**

Rewarding! I get to partner with our store teams and Feeding America-affiliated food banks and local agencies to bring more food to hungry families in our communities. Every day, we touch lives and give the gift of hope to neighbors. I can't think of a better place to be.

**Q: What changed in the last year?**

Talking about Zero Hunger | Zero Waste helps connect our associates' everyday work to Our Purpose – to Feed the Human Spirit™. We know our associates care, and our customers care too. I love their passion for making a difference and being part of Zero Hunger | Zero Waste.

**Q: What's next?**

We continue to focus on increasing store engagement and execution to rescue more food. We're also looking at ways to use technology – like Feeding America's MealConnect platform – to move more food to people who need it more quickly.



## RESCUE MORE FOOD

Kroger's Zero Hunger | Zero Waste plan includes commitments to donate 1 billion meals by 2020 and 3 billion meals by 2025. Increasing the amount of food donated through **Kroger's Zero Hunger | Zero Waste Food Rescue** program is a big part of our plan. Ultimately, we want as much food as possible to fulfill its highest purpose: feeding people.

Developed by Kroger in partnership with Feeding America more than 10 years ago as an engine to direct more nutritious food to families in need, our industry-leading program was initially called the Perishable Donations Partnership. Now operating as Zero Hunger | Zero Waste Food Rescue, the program continues to grow in size and scale. Today, we rescue food at our retail stores, manufacturing plants and distribution centers – anywhere we have nutritious food that is safe to eat.

Through this program, we rescue wholesome food that can no longer be sold to Feeding America-affiliated food banks, local pantries and agencies. We direct produce, dairy, bakery, deli, meat, seafood, grocery items and more to food banks that have the capacity to handle and distribute these items. It takes the dedication and consistent execution of thousands of our associates to make Zero Hunger | Zero Waste Food Rescue happen.

In 2018, our associates rescued a total of 100 million pounds of food company-wide, a 10% increase vs. the prior year. Of that, 77 million pounds of food was rescued from our family of retail stores, up from 74 million pounds in 2017. The balance reflects donations from our food processing facilities and distribution centers.

[LEARN MORE ABOUT OUR FOOD RESCUE PROGRAM IN ACTION.](#)

**Donate it!** Kroger **ZERO HUNGER | ZERO WASTE** **FOOD RESCUE**

Follow these Zero Hunger | Zero Waste Food Rescue guidelines and help end hunger in our communities!

**DAIRY**

**Yes! Donate these**  
BUT DO NOT DONATE ANY ITEM THAT IS PAST ITS SELL BY DATE THAT HAS NOT BEEN FROZEN

- Yogurt
- Milk\*
- Half and Half
- Dips
- Cream cheese
- Butter
- Margarine
- Cottage cheese
- Packaged cheeses (shredded, block, etc.)
- Packaged dough
- Natural foods included

\* Follow the Dairy Excellence program. Milk packed prior to the sell-by date can remain in the cooler without being frozen.

**No!**  
FOLLOW DIVISION POLICY FOR EGG DONATION

**Wait!**  
This is not a complete list. If you're not sure an item can be donated, check with your manager.

**Pick-up Schedule:**

SUN	_____
MON	_____
TUE	_____
WED	_____
THU	_____
FRI	_____
SAT	_____

Food Bank Name: \_\_\_\_\_  
Phone #: \_\_\_\_\_

SELL MARK DOWN DONATE RECYCLE

**Expanding Donations**

We've learned that clearly articulating Kroger's commitment to Zero Hunger | Zero Waste helps drive results. In 2018, we focused on increasing communications to improve store execution of our existing food rescue programs and processes. Customized guides to Zero Hunger | Zero Waste Food Rescue for every fresh department in store backrooms show associates which foods to safely donate, and how to handle and store them. Frequent store visits, food waste audits, and improved insights and reporting also improved results.

We continue to expand the program to include more items that can be safely donated. In the past two years, we've added many healthy items to the approved donations list, including asparagus, bananas, broccoli, cauliflower, celery and green beans. In 2018, we identified additional high-value, high-nutrition items to add to Food Rescue. We are in the process of adding these items to our program after completing initial tests and establishing safe donation best practices.

Examples include:

- **Seafood:** Working with Kroger's food safety experts and operations team, we are expanding food rescue to include select species of fresh seafood. Associates in our Smith's Division – which operates stores in Utah, Nevada, New Mexico, Idaho, Montana and Wyoming – tested food rescue for fresh, never-frozen tilapia, Atlantic salmon and catfish. Based on positive results, we are expanding this seafood donation program to all stores in 2019.
- **Deli:** In Michigan, Kroger stores are testing processes to rescue select fresh prepared Deli items, including ribs and macaroni and cheese. We are working with our food safety and operations teams plus state and local agencies that focus on safe food handling and transportation.
- **Milk:** Kroger supports our supplier Michigan Milk Producers Association's commitment to donate milk to children in need during the summer. The Kroger-operated Michigan Dairy plant processes and packages the donated milk, and the Food Bank Council of Michigan distributes it to area food pantries, agencies and schools. In 2018, this partnership directed more than 54,000 gallons of milk – an average of 150 gallons a day – to children and families. Kroger and Feeding America anticipate expanding this model with additional suppliers and partners in other markets.



## JOIN OUR JOURNEY

Kroger offers many ways for customers and other stakeholders to follow our Zero Hunger | Zero Waste journey and take action. These include our monthly blog, chef-inspired recipes, and tips for reducing food waste at home.

[#ZEROHUNGERZEROWASTE](#)

[FIND EASY RECIPES & TIPS HERE](#)

## INSIGHTS & ENGAGEMENT

Last year, Kroger and 84.51° teams applied their analytical skills to help Kroger better understand the complex problems related to hunger and how we might help. Together, we created a platform to help identify Kroger communities with the greatest food insecurity and, potentially, the most surplus food. We plan to use these and other critical insights to help determine where we have opportunities to redirect food to individuals and families who need it.

Working with Xavier University's Center for Innovation, Kroger also reached out to individuals who rely on the local Freestore Foodbank and other resources in Cincinnati to help fill their pantry. First, we led a series of private in-depth conversations with several community members who struggle with hunger, including some who have learned to navigate local resources, and others who find it difficult to put healthy food on the table for their family. We talked about their hopes and dreams and what is most challenging.

We synthesized this feedback and considered ways Kroger could help. Then we invited local stakeholders – including members of the Cincinnati Chamber of Commerce, City Council and neighborhood groups, community partners, NGOs and Kroger associates – to share feedback and offer ideas. We continue to use this input to design possible solutions for the next phase of our work, and we will continue the engagement process.

We offer sincere thanks to Xavier University's Center for Innovation, members of our community who participated, and our team at 84.51° for their leadership.

## CUSTOMER AWARENESS

Every day, the Kroger team thinks about how to engage our associates, customers and others in our Zero Hunger | Zero Waste plan. We know it will take everyone's help to achieve our goals.

We shared our Zero Hunger | Zero Waste plan throughout 2018 through outreach and special events at the local and national level on issues related to hunger and waste.

We also created several resources to help Kroger customers join our Zero Hunger | Zero Waste journey. These include a monthly blog, a chef series called 'Wilted to Wonderful' with tips for how to use common food items that might be tossed out, and more. Kroger experts also highlight what cus-

tomers can do at home, including simple steps to start composting and tips on storing food to extend freshness.

As a result, we increased awareness among a general sampling of Kroger customers nationwide from 11% to 20% during the year – based on 84.51° customer insights. Awareness is even higher among shoppers who are more likely to choose items that meet certain sustainability standards and certifications.



## O, That's Good!

We also increased engagement and awareness in partnership with others who share our mission. Kroger teamed up with Feeding America, the Kraft Heinz Company and O, That's Good! to recognize Hunger Action Month in September. As part of this event, more than 100 meal-packing volunteers at the Freestore Foodbank in Cincinnati received an unexpected helping hand from Oprah Winfrey. In addition to packing 2,000 meals on-site to help children in the greater Cincinnati community, Winfrey's food line O, That's Good! and Kroger together donated one million meals to Feeding America to help families in need across the country.

## Our Generous Customers

We know our customers care about ending hunger and eliminating waste. The Kroger Co. Foundation offers our customers an easy way to join our Zero Hunger | Zero Waste journey. Today, shoppers in a growing number of Kroger-operated supermarkets can round up their total grocery purchase to the nearest dollar or make a cash donation at the register to help our communities.

When customers round up to end hunger at check-out, 100% of the funds go to benefit The Kroger Co. Zero Hunger | Zero Waste Foundation to support community organizations and programs to improve food security and end waste. The round-up program is currently active in stores in the following retail divisions: Cincinnati, Columbus, Fred Meyer and Michigan.

We thank our generous customers for their donations as well as partners like The Ohio State University (OSU). In Columbus, Kroger teamed up with OSU to encourage customers and sports fans to Round Up for the Zero Hunger | Zero Waste Foundation at area Kroger stores and OSU concessions. The result: at the OSU-Michigan football game, the partners celebrated a gift of one million meals to the Mid-Ohio

Food Bank. They also presented a gift to Mid-Ohio Food Bank at an OSU Men's Basketball game.

Customers at Fred Meyer, based in Portland, Ore., are highly engaged in the division's Hunger Round-Up. In the first year, shoppers donated \$2.5 million to the Zero Hunger | Zero Waste Foundation through the program. Those funds were directed to organizations that help improve food security, including Oregon Food Bank; Food Lifeline; Second Harvest Food Bank, based in Spokane, Wash.; The Idaho Food Bank; and Food Bank of Alaska.

We plan to expand the program to all stores across the company by the end of 2020.





ZERO HUNGER | ZERO WASTE

# Zero Waste

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The Kroger family of companies continues to reduce both operational waste and food waste. We work with our leaders and lines of business to drive improvements, as well as with partners at World Wildlife Fund (WWF) and other organizations to track, report and reduce food waste across our retail stores. We focus on these key goals:

**Reduce waste:**

Identify opportunities to reduce overall waste in our operations to achieve our goals.

**Measure and report food waste:**

Continue to measure our retail food waste footprint and track progress toward goals year over year.

**Drive innovation:**

Find new ideas and solutions to help reduce waste and food waste.

[READ MORE ABOUT OUR WASTE REDUCTION EFFORTS IN THE WASTE AND FOOD WASTE SECTIONS OF THIS REPORT.](#)

Kroger is committed to achieving zero waste by 2020 and zero food waste by 2025. It takes precious natural resources to make the food that nourishes us – let's not waste it.



SPOTLIGHT

**ZERO HERO: WASTE DIVERSION**

*Jeremy Stover, Kroger Retail Operations manager in Cincinnati, leads our store waste diversion efforts. He shares some insight on that work:*

**Q: How would you describe your work at Kroger?**

Our team creates opportunities for store associates to help divert material away from landfills. Whether it's plastic film, cardboard or unsold food, we work with our store and vendor partners to improve practices and research new recycling programs.

**Q: What part of your work do you find most exciting?**

I love working with our store associates to help make their recycling ideas happen. For example, in 2017, our Nashville Division started recycling in all 92 stores. That initial effort opened the door for a big shift in waste diversion for Nashville in 2018 – an 8% improvement.

**REDUCE WASTE**

Kroger is tackling waste across our business in big and small ways to achieve our zero-waste goals. We are creating Zero Hunger | Zero Waste stores of the future, starting with our commitment to phase out single-use grocery shopping bags and efforts to keep food, cardboard and other recyclables out of the landfill.

Thanks to our associates across the country, Kroger achieved significant improvements in overall waste diversion, recycling, food waste and food waste diversion last year.

In 2018, Kroger achieved a waste diversion rate of 76% company-wide, a 4% increase versus the prior year. As a result, we kept 2 million tons of waste out of landfills last year. Our Manufacturing and Supply Chain operations continue to divert 90%+ of their waste, and we achieved significant improvement in retail operations.

More specifically, we:

- Shipped 160 million reusable plastic containers of fresh produce to stores, preventing single-use packaging waste;
- Recycled nearly 1.5 billion pounds of corrugated cardboard;
- Recycled more than 52 million pounds of plastics in our operations; and
- Recycled 26% more food waste.

**Say Goodbye to Plastic Bags**

Plastic packaging can serve an important purpose: to protect food safety, preserve quality or extend shelf life. It also offers lighter-weight solutions for items ordered online and shipped to consumers. However, plastics in the environment can be problematic, and we believe in reducing unnecessary plastics and plastic pollution.

In 2018, we developed a national plan to eliminate single-use plastic grocery shopping bags by 2025. Our QFC division, based in Seattle, was the first to complete the transition. To encourage customers to bring reusable bags, QFC donated \$1 for each reusable bag sold in its stores to The Nature Conservancy – a global nonprofit committed to protecting the earth's lands and waters – up to \$10,000.

Why 2025? We are using what we've learned from QFC's transition to create a rollout strategy and timeline that works for our customers and our business. This includes evaluating alternatives for single-use bags. We know that switching to paper bags isn't the right answer. We believe reusable bags are best; however, we are considering our customers' needs and preferences and collecting their feedback. In the meantime, we encourage any customers eager to make the switch to bring reusable bags when they shop today.



## Closing the Loop

Kroger is also exploring other ways to reduce plastics and packaging in the environment. We support the development of a more circular economy to help protect our planet. In 2018, Kroger joined TerraCycle as the exclusive U.S. grocery retail partner for **Loop**, a new and innovative reusable packaging platform. This system aligns with Kroger’s zero-waste vision by offering consumers an easy way to help reduce single-use plastics.

Products available on the Loop platform are packaged in reusable glass, metal or durable plastic containers and shipped directly to consumers in a specially designed tote. Once used, products are retrieved through free at-home pickup, then cleaned, refilled and reused – creating a first-of-its-kind circular packaging system.

During the first phase of the U.S. launch, a select number of consumers in New York, New Jersey, Pennsylvania, Maryland and Washington, D.C. will be able to experience Loop. In the future, based on consumer response, Kroger and Loop envision creating an in-store Loop experience in a Kroger-operated store and community. [Learn more.](#)

## How does it work?



1

### Shop in the Loop Store

Browse products from your favorite brands, designed in upgraded reusable packaging.



2

### Receive your order in a reusable Loop Tote

No more cardboard boxes - the Loop Tote has been specially engineered to be durable and safely transport your items.



3

### Request a free pick up

Once you've used up your items, simply place the empty packaging into the Tote, schedule a free pick up, and Loop takes care of the rest.



4

### We clean and refill

Loop hygienically cleans and replenishes what you returned, so you never run out of your favorites.



SPOTLIGHT

## ZERO HEROES: A PRICELESS® CULINARY EXPERIENCE

The largest amount of food waste happens every day in our homes. We are helping our customers learn how to prevent and reduce food waste in their kitchens.

Kroger culinary experts Brandon Fortener and Paul Sturkey joined Mastercard® ambassador Graham Elliot to celebrate Earth Month with an exclusive Zero Hunger | Zero Waste culinary demonstration. Hosted at Kroger's Culinary Innovation Center in Cincinnati, 35 customers enjoyed a once-in-a-lifetime dining experience and demonstration. The chefs shared tips for making delicious meals and using ingredients in ways that also help reduce food waste.

For customers looking for ways to reduce food waste at home, find out more in our *Wilted to Wonderful* series at [www.krogerstories.com](http://www.krogerstories.com).

## MEASURE & REPORT FOOD WASTE

At Kroger, we believe we won't be able to sustainably meet the dietary needs of a growing population until we eliminate food waste. We follow all food safety regulations and the U.S. Environmental Protection Agency's Food Recovery Hierarchy as a guide to prevent and divert food waste and keep it out of landfills.

In 2017, we reported Kroger's food waste footprint for the first time and set a baseline for future reductions. Working with our partners at World Wildlife Fund (WWF), we used the World Resources Institute (WRI) Food Loss and Waste Protocol to measure and report food waste across our retail operations. We repeated this measurement process to gauge progress in 2018.

Last year, Kroger improved food waste diversion from landfill by 13%, moving from 27% diversion in 2017 to 40% diversion in 2018. This significant increase is the result of increased awareness and store-level execution by our dedicated associates. We also increased the number of retail stores with food waste recycling programs, which divert unsold organics to animal feed, composting and anaerobic digestion. Now 73% of our supermarkets are recycling food waste, and these stores increased the amount of food recycled by 26% in 2018.

[FIND OUT MORE ABOUT KROGER'S WASTE MANAGEMENT APPROACH AND RESULTS IN THE WASTE AND FOOD WASTE SECTIONS OF THIS REPORT.](#)

## DRIVE INNOVATION

We know that U.S. businesses, farms and consumers spend an average of \$218 billion growing, processing, transporting and disposing food that is never eaten. We believe it will take innovative ideas and new technology solutions to end our food waste problem. Kroger's nonprofit foundations are focused on lifting up creative thinkers who are helping create a world with Zero Hunger | Zero Waste.

### The Kroger Co. Foundation

The company's private foundation – The Kroger Co. Foundation – focuses its grant-making on the communities we call home. In 2018, we strategically aligned 80% of these grants to causes and organizations that share our Zero Hunger | Zero Waste vision. This includes grants to expand the work of nonprofit partners like Feeding America and their network of local food banks, WWF, ReFED and others.



Kroger  
**ZERO HUNGER  
 ZERO WASTE**  
**ZERO HEROES**

Students at Warner Elementary School in Nashville led a food waste audit in their cafeteria.

SPOTLIGHT

**NASHVILLE FOOD WASTE WARRIORS**

In Nashville, for example, WWF, The Kroger Co. Foundation, Urban Green Lab and the Nashville Food Waste Initiative (NFWI) helped organize food waste audits at three local schools: Warner Elementary, Westmeade Elementary and H.G. Hill Middle School. These student-led audits highlighted the amount of food wasted in the school cafeteria as a first step in developing strategies for reducing it.

At each school, students sorted leftover food into appropriate containers and measured what kind of food and how much was recovered. Similar food waste audits are happening in other cities, too.



FOUNDATION



**Food Waste Warriors**

Food waste is a problem for our planet that affects both humans and wildlife. That’s why The Kroger Co. Foundation supports World Wildlife Fund’s efforts to talk to students about where their food comes from, what happens when it’s thrown away, and what and how much is being lost in their own cafeteria.

Wild Classroom is WWF’s signature education program aimed at providing environmental curriculum for teachers and parents to use with students. With the Foundation’s support, WWF expanded its food waste prevention and recovery curriculum within the Wild Classroom program to nine U.S. cities. Branded as the [Food Waste Warrior Toolkit](#), the curriculum aligns with USDA and state educational standards and promotes food conservation education and best practices.

The Food Waste Warrior Toolkit leverages resources like the USDA Student-Led Food Waste Audit guide, helping students become more aware of the connection between food waste and its impact on our habitat, wildlife and planet. The curriculum spans



World Wildlife Fund hired and trained dedicated Food Waste Warrior program liaisons in each market to introduce the curriculum to local schools.

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\* ‘WWF’ and ‘World Wildlife Fund’ are WWF Registered Trademarks. © 1986 Panda Symbol WWF



The winner of the Zero Hunger | Zero Waste OPEN was Biomimicry 3.8 in Missoula, Mont., represented by Dr. Frances Gilman.

SPOTLIGHT

## ZERO HUNGER | ZERO WASTE OPEN

The Kroger Co. Foundation also worked with Spry Labs, a venture-building arm of Cintrifuse business accelerator in Cincinnati, to host the Zero Hunger | Zero Waste OPEN. This national pitch competition focused on finding the brightest minds working to end hunger and eliminate food waste. After an initial application process, eight finalists pitched their solutions to company leaders in Cincinnati.

The winner: Biomimicry 3.8, based in Missoula, Mont. Innovators at Biomimicry 3.8 are taking inspiration from nature and plant-based materials to design a sustainable replacement for plastic shopping bags. The Foundation awarded a \$10,000 grant to recognize and support their project.

## The Congressional Hunger Center

The Kroger Co. Foundation also supports the Congressional Hunger Center's Bill Emerson National Hunger Fellowship Program, which trains and inspires emerging leaders in the movement to end hunger and poverty. Emerson Fellows bridge the gap between field and policy for a year-long experience, first working with community-based organizations across the country and then with anti-hunger policy organizations in Washington, D.C. The Foundation sponsored two Emerson Fellows in the program's 25<sup>th</sup> Class. They are:

**Baridilo Dube** – While attending Rice University in Houston, Baridilo applied her passion for social justice to issues of race, gender and poverty. As an Emerson Fellow, Baridilo worked in Seattle with Northwest Harvest and authored the report *Amplifying the Voices of People with Lived Experience*. In Washington, D.C., Baridilo partnered with Prosperity Now for a research project focused on affordable housing.

**Roxana Rodriguez** – While a student at Williams College in Williamstown, Mass., Roxana helped improve transportation to affordable grocery stores and worked with the office of sustainability and the campus resource center to support LGBTQIA and students of color. As an Emerson Fellow, Roxana worked with the Community Food Bank of Southern Arizona in Tucson and authored the report *A Case for Community Organizing and the Emergency Food System*. Roxana was placed with the Food Research and Action Center, where she analyzed federal, state and local Supplemental Nutrition Assistance Program (SNAP) policy.

*“Our Emerson Hunger Fellow provided a tremendous amount of capacity with her project that gave us a structure and strategic plan to launch an advocacy fellowship program so that we can build a statewide network of anti-hunger advocates who have lived experiences of hunger and poverty.”*

**Christina Wong**

Director of Advocacy, Northwest Harvest



FOUNDATION



## The Kroger Co. Zero Hunger | Zero Waste Foundation

To support our mission, we established The Kroger Co. Zero Hunger | Zero Waste Foundation in 2018. This new foundation – a public charity – enables our customers, associates, partners and others to join our journey and help transform our communities. We plan to increase the size and reach of the Zero Hunger | Zero Waste Foundation over time and bring people together to make a difference.

### Innovation Fund

A signature program of The Kroger Co. Zero Hunger | Zero Waste Foundation is the Zero Hunger | Zero Waste Innovation Fund (the Fund). The Fund is designed to help address the \$18 billion gap in funding for technology and innovation to reduce food waste in the U.S. by 20% over 10 years, as estimated by non-profit food waste organization ReFED.\* The experts at ReFED acted as strategic advisers in developing the governance, strategy and program focus for the Fund.

Because most of the charitable funding to reduce food waste has been directed to food recovery and recycling, the Zero Hunger | Zero Waste Foundation focused the Fund's first open call on food waste prevention. We received nearly 400 letters of intent from creative thinkers in all 50 states.

For the first open call, a group of Advisory Council members – representing World Wildlife Fund, Feeding America, ReFED, the Foundation for Food and Agriculture Research, S2G Ventures, Kroger Technology and 84.51° – reviewed each project's potential to help end food waste, ease of implementation, and measurability and scalability, among other criteria. The Kroger Co. Zero Hunger | Zero Waste Foundation board of directors selected the final grantees.

We will announce the first group of Innovation Fund grantees later this summer.

[LEARN MORE ABOUT THE ZERO HUNGER | ZERO WASTE INNOVATION FUND.](#)

\*Source: ReFED's 2018 U.S. Food Waste Investment Report





ZERO HUNGER | ZERO WASTE

 2019  
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# Zero Heroes

In our communities from coast to coast, Kroger associates freely give their time and talents to help others. As trusted partners to hundreds of community organizations, they lift up the hometowns we share.

In 2018, we aligned our long-standing Community Service Awards to Kroger's Zero Hunger | Zero Waste plan. Now called Zero Heroes, this recognition program recognizes associates who make a difference for others in their community by taking action to end hunger and waste.

We are currently in the process of creating a Zero Hunger | Zero Waste store certification program that will celebrate retail store teams who achieve significant gains toward our big 2025 goals. With our associates' input, we are designing the Zero Hunger | Zero Waste store of the future to transform our communities.

Our associates are passionate about Our Purpose and our social impact plan. Many organize fundraisers at their store and in the community, participate in local events, work with hunger relief agencies, and champion recycling programs. We are pleased to recognize those who go above and beyond as Zero Heroes.

Of course, we have many more Zero Heroes than listed here, and we thank all of our associates for their dedication to our customers and communities.

At Kroger, we have some true Zero Hunger | Zero Waste Champions among our ranks. Let's celebrate their commitment to help others.



This team of Zero Heroes introduced a recycling and composting program at Kroger Technology offices in Blue Ash, Ohio.



These valued associates are truly **Zero Heroes.**

**SUPERMARKET DIVISION**

- Atlanta
- Central
- Cincinnati
- Columbus
- Dallas
- Delta
- Dillon Stores
- Food 4 Less
- Fred Meyer
- Fry's Food Stores
- Houston
- King Soopers/  
City Market
- Louisville
- Mariano's
- Michigan
- Mid-Atlantic
- Nashville
- QFC
- Ralphs
- Roundy's
- Ruler Foods
- Smith's

**ASSOCIATES**

- Matt Hall
- Mike Smith
- Tina Huff
- Charlotte Sullivan
- Booker Johnson
- Amber Winchester
- Kristen Honeycutt
- Renee Morris
- Terri Gigliotti
- Luke Adams
- Chris Foreman
- Brad Crowe
- Doug Oberhausen
- Suzanne McDonnell
- Liz Olson
- Jade Hughes
- Clarissa Whitfield
- Amber Brask
- Fawad Khan
- Charles Barthel & Mitchell Prince
- Gary Dwiggin
- Dayzjah Sagapolu & Gus Sagapolu

**MANUFACTURING**

- Country Oven Bakery
- Kenlake Foods
- Layton Dough
- Pace Dairy
- Winchester Dairy

**ASSOCIATES**

- Michael Brown
- Karl Smith
- Dave Ross
- Charlene Hall
- Wendy Cheatham

**CORPORATE**

- Kroger Technology
- Merchandising
- Supply Chain

**ASSOCIATES**

- Denise Haskamp
- Erin Neace
- Randal McClimans
- Jeff Pitzer
- Devin Thomas
- Dana Urner
- Ryan McCloy
- Melissa Bailey
- Tiffany Barker
- Stephen Eadicicco
- Lindsey Hasis
- Reid McCreary

84.51°



### Dayzjah Sagapolu & Gus Sagapolu, Smith's

Dayzjah and her father, Gus, work at Smith's store #372 in Las Vegas. Dayzjah has been with the company nearly three years, and Gus has more than 12 years of service. Both of these outstanding associates are firmly committed to furthering our company's Zero Hunger | Zero Waste mission.

Their commitment is personal: this father-daughter duo understands what it's like to be in need because their family has experienced it firsthand. Dayzjah and Gus donate their extra money to feed others in need within their community. "It feels good to be able to help others with money that we didn't have," says Dayzjah. She and Gus also prepare meals for the homeless on a regular basis, and they often drive around town and share food and water.

Dayzjah and Gus live Our Purpose – to Feed the Human Spirit™ – every day to help achieve Zero Hunger | Zero Waste close to home.



### Fawad Khan, Ralphs

Fawad Khan, sales manager at Ralphs store #752 in Ontario, Calif., has helped end hunger with the Ahmadiyya Muslim Community in Chino for more than two decades. He leads twice-weekly efforts to provide food and clothing for the homeless and hungry at the Baitul Hameed Mosque in Chino.

Fawad has given back to the community since immigrating to Southern California from Pakistan in 1989. A devout Muslim, he says his Islamic faith dictates that he gives time and energy to help those who are less fortunate. The philosophy of the Ahmadiyya Muslim Community – to unite people through peace, tolerance, understanding and education – resonates deeply with Fawad. He organizes interfaith events that include volunteers from area churches and synagogues.

"Fawad is an exemplary member of our community and a very caring and generous volunteer," says Naser Noor, president, Ahmadiyya Muslim Community, Los Angeles Region. "We are very fortunate to have Fawad as part of our community."



### Jade Hughes, Mid-Atlantic

Jade Hughes, Pickup clerk at Kroger store #350 in Martinsville, Va., volunteers at the local Upper Room Alabaster Box food pantry. Jade started volunteering at the pantry, located at her grandparents' church, over five years ago. There, she packs food boxes and helps manage paperwork. Every month, volunteers meet at the church for fellowship and dinner, and they distribute about 150 boxes of food to individuals and families in need.

Jade's grandmother, Diane, has volunteered at the pantry since it opened in 2011, and she introduced Jade to the community. According to Diane, Jade takes pride in her volunteer work and rearranges her schedule to make sure she can be there. She also makes a conscious effort to reduce her environmental footprint.

When asked what drives her to the food pantry each month, Jade says, "It's the people!" She knows the individuals they serve are facing tough times and she does her best to make them smile.

About  
Kroger

About This  
Report

Zero Hunger |  
Zero Waste

**Our Customers  
& Communities**

Customer Satisfaction  
& Digital Innovation

Health & Nutrition

Food Access

Community  
Engagement

Our People

Our Planet

Our Products

GRI Index

2018 Awards



# Our Customers & Communities

At the Kroger family of companies, we put our customers and communities at the center of everything we do. Because we care, we continually improve our customers' experience to make shopping easier and more convenient. We are expanding our digital capabilities to offer a seamless digital experience, and we continue to invest in strategic partnerships that increase our reach.

We focus on making our communities better places to live and work through engagement, investment and giving. Being a trusted partner in our communities is a top priority.

We are changing the way America eats and making our communities better places to live and work.

# Highlights



**\$3B+**

3 BILLION+ PERSONALIZED OFFERS FOR CUSTOMERS EACH YEAR



**92%**

PICKUP AND DELIVERY SERVICES NOW REACH OVER 92% OF KROGER HOUSEHOLDS



**\$2.3B**

IN SIMPLE TRUTH® AND SIMPLE TRUTH ORGANIC® SALES



**OptUP**

ENHANCED KROGER'S OPTUP APP THAT SCORES FOODS BASED ON NUTRITIONAL VALUE

**Nuro**

LAUNCHED FIRST-EVER UNMANNED GROCERY DELIVERY SERVICE WITH PARTNER NURO

**Ocado**

EXCLUSIVE KROGER PARTNER IN THE U.S. TO EXPAND SEAMLESS DIGITAL EXPERIENCE



**\$328M**

\$328 MILLION IN CHARITABLE GIVING – IN FOOD AND FUNDS – TO OUR COMMUNITIES

**100 Million**

ASSOCIATES DIRECTED 100 MILLION POUNDS OF FOOD TO FAMILIES IN NEED



VISIONARY PARTNER OF FEEDING AMERICA, THE NATION'S LARGEST NETWORK OF FOOD BANKS



# Customer Satisfaction & Digital Innovation

GRI 103-1, 103-2, 103-3

One of the four drivers of our *Restock Kroger* plan is redefining the grocery customer experience. We are the partner our customers turn to every day for meals because we know food, and we know our customers better than anyone. Creating unique, personalized experiences helps build deep connections with our customers and a highly-relevant shopping experience that drives loyalty.

By combining our food expertise and data analytics through 84.51°, we can apply insights where it matters most to create meaningful relationships with customers. Our ability to meet our customers' changing needs through digital innovation is a priority. We continue to serve up new solutions that accelerate our vision of a seamless shopping experience.

Through our data and insights, we not only offer customers discounts on items they purchase and offers to try new products we think they may like. We can also engage in new ways, solve complex problems for customers and shareholders, and drive business growth.

In addition to our focused approach to data science, we ask for and listen to our customers' feedback. They tell us how we can make their shopping experience better and how we can differentiate Kroger. We engage customers all year long through satisfaction surveys to improve service, product quality and assortment, and to monitor issues and concerns. Our teams also review and evolve our satisfaction survey so we can collect actionable insights on the areas that are most important to customers, as well as insights that support our company goals, priorities, performance and results.

A cross-functional team is responsible for leading and measuring customer satisfaction and digital innovation, including Marketing, Merchandising, Loyalty, 84.51°, Digital and Kroger Technology, among others.

Kroger has a rich history of customer-focused growth and innovation.



## CUSTOMER SATISFACTION

Kroger offers exceptional service, convenience and value – and a trusted presence in our communities. We continuously improve the shopping experience based on our customers' feedback through advances in online ordering, more personalized digital solutions and offers that are meaningful to each unique customer. Being aware of our customers' changing needs helps our teams put more of the items customers want and buy most on our shelves.

We are investing in innovative new approaches to create a seamless experience for customers who want convenient access to anything, anytime, anywhere.

Our customers tell us how they want to shop – whether in our stores, picking up at curbside, delivery or ship directly to home (in select markets). We know our stores connect with people and deliver rich experiences, and we make sure they stay on trend and relevant to the customers we serve. In 2018, we focused on making sure we have items in stock for our customers whenever and however they choose to shop.

We measure our progress and performance in this area by growth in several key indicators. We continue to gain overall market share and grow in key categories like natural foods, produce and fresh prepared foods. Our customers trust and count on our neighborhood stores. We continue to focus on increasing loyal customer households because customer loyalty drives shareholder value.

We engage customers all year long through surveys and personal connections to measure satisfaction and gather feedback so we can keep improving. Kroger receives more than 13 million comments from our customers every year on a variety of topics. We use their feedback to improve product quality and assortment, and to monitor issues and concerns.

We provide detailed information about our services and options for customers to share comments by phone, email or online at [www.kroger.com](http://www.kroger.com). Our Customer Service Ambassadors at Kroger Customer Connect offer a friendly, helpful voice when needed seven days a week.



SPOTLIGHT

## OUR BRANDS' EXPANDED REACH

In order to expand *Our Brands'* reach, in 2018 we formed partnerships that offered new platforms and new customers, including a pilot with Walgreens. This new format and concept combines Kroger's role as America's grocer and food authority with Walgreens global expertise in pharmacy, health and beauty.

Working together, we selected 13 Walgreens stores in Northern Kentucky, near Kroger's Cincinnati headquarters, to pilot the format. In these Walgreens stores, customers enjoy a range of fresh and shelf-stable *Our Brands'* grocery products from Kroger brand, Simple Truth® and Private Selection™.

Customers can also order Kroger grocery items online and collect their Kroger Pickup order at participating Walgreens locations.



### *Our Brands*

It's clear: customers love *Our Brands*. They continue to tell us – in research, comments and taste tests – that *Our Brands* deliver amazing products at an exceptional value. We also measure customer satisfaction through sales and continued growth. In 2018, *Our Brands* delivered over \$21 billion in sales and achieved a record share of units sold. If ranked on the Fortune 500 list, *Our Brands* would be ranked #136.

Kroger Brand – the largest brand sold in our stores – reached a key milestone in 2018, achieving annual sales of more than \$13 billion. Private Selection™ growth accelerated, delivering double-digit sales growth in the fourth quarter. Simple Truth® continued double-digit growth in 2018 and is now a \$2.3 billion brand. Introduced six years ago, Simple Truth® is the largest natural and organic brand in America and the second largest brand sold in Kroger stores. As part of our partnership with Fair Trade USA, Simple Truth® now offers more Fair Trade Certified™ products than any other private-label brand in the country.

In addition to offering *Our Brands* items in stores and through Kroger Pickup, Delivery and Ship, Simple Truth® is also available at [www.Vitacost.com](http://www.Vitacost.com).

**FOR MORE DETAILS ABOUT OUR BRANDS, PLEASE VISIT THE [PRODUCTS SECTION](#).**



## DIGITAL GROWTH

Kroger continues to introduce and expand new, convenient options to make our customers' lives easier. Our shoppers want services like curbside pickup, delivery and ship-to-home. Our vision is to offer a seamless shopping experience for our customers no matter where they are, serving America through food inspiration and uplift.

Kroger's digital strategy focuses on making these and other services more accessible to customers across many channels in a seamless way. Our digital efforts are all about making things easier for our customers and providing personal, affordable and exclusive options that fit their needs. In 2018, Kroger continued to see incremental growth in digital channels, and our Pickup and Delivery coverage area grew to reach more than 93% of Kroger households. When you factor in the launch of our ship-to-home offering, Kroger is now accessible to 100% of the country.

Our digital expansion means we are reaching customers in more places than ever before. In all, we carry over 1 million unique products and average more than 200 transactions per second.

We are committed to leveraging a combination of insights from 84.51°, advanced technology and our digital platform to give our customers the ability to shop when and how they want to make their lives easier. This seamless digital experience focuses on giving Kroger customers faster and easier access to relevant products and recipes, digital coupons, weekly ads and shopping lists, along with an easy-to-use, fully integrated Kroger Pickup experience.

## Kroger Pickup

Kroger Pickup (formerly ClickList®) was inspired by what we learned from Harris Teeter's ExpressLane online shopping platform. Using these best practices, we introduced Pickup at our first store in Cincinnati in late 2014. During the past five years, Kroger Pickup has experienced tremendous growth and accelerated customer adoption from coast to coast.

We currently offer 1,600 convenient curbside pickup locations, with 500 added in 2018. Today, customers can shop online for over 70,000 items across the entire store, with more being added all the time as we expand our product offering.

In 2018, we made Kroger Pickup even more convenient with same-day ordering. Now customers can schedule pickup within a one-hour window on the same day or up to three days in advance. They enjoy the same low prices and promotions, and earn fuel points on every purchase.

In addition to non-perishable grocery items, Kroger associates choose high-quality fresh items, including produce, deli, meat and seafood, shortly before an order is scheduled for pickup. Quality is our top priority, and Kroger associates hand-select items for each Pickup order with great care. These

items are then stored for maximum freshness – including refrigeration or freezing – until it's time for pickup.

In 2018, we focused on improving how our stores implement the Kroger Pickup process and fulfill orders. This company-wide effort significantly reduced the number of product substitutions for Pickup orders, which greatly improves our customers' satisfaction.



## Delivery

Kroger is committed to offering our customers convenient same-day grocery delivery and a seamless digital experience. We began offering home delivery in 2017 in partnership with service providers like Shipt, deliv, Roadie, Uber and others. The company later launched a partnership with Instacart, the North American leader in online grocery delivery, to increase our customer delivery coverage area.

In 2018, Kroger and Instacart expanded this national partnership, enabling the expansion of our same-day delivery service to more than 1,900 stores across the country. Now Kroger customers in more communities throughout the country – including Atlanta, Augusta, Knoxville, Little Rock, Memphis, Nashville and other cities – can fill their online carts and have everyday essentials and fresh groceries delivered in as little as two hours.

Customers can now place same-day delivery orders at [www.Kroger.com](http://www.Kroger.com) or their local store's website. After signing into their digital account and entering a zip code, customers can shop the online product assortment for *Our Brands*, national brands, fresh produce, meat and seafood, deli meats and cheeses, natural and organic foods including Simple Truth®, craft and artisan groceries, and hot foods like rotisserie chickens.

Kroger is also testing an even faster delivery service: Kroger Rush. This service, available in Cincinnati, offers delivery of small orders within 30 minutes in a select geographic area. Plans for expanding the service to other areas will continue to evolve as we gain more insights.



## Kroger Ship

Building on Kroger's expansive logistics and fulfillment infrastructure, our ecommerce platform expands our reach and offering beyond the physical store. In 2018, we launched Kroger Ship across the company, enabling us to truly feed America by reaching parts of the country where we have no brick-and-mortar store presence.

Along with staples and customer favorites, Kroger Ship offers bulk items and additional sizes and a wide selection of local and international food and flavors, specialty items, and health and wellness products. During the first phase, customers can shop from a curated selection of

4,500 *Our Brands* products, which are not available anywhere else online, and more than 50,000 center-aisle groceries and household essentials that matter the most, influenced by 84.51° data and insights.

The service offers competitive ecommerce pricing and fast and free doorstep delivery by a package carrier on orders over \$35. Kroger Ship customers also receive money-saving opportunities, including promo codes and pricing deals along with the convenience of a set-and-save subscription model.

In 2018, Kroger transformed space in Northern Kentucky to bring our new Mt. Zion Distribution Center online. This state-of-the-art facility enables Kroger Ship to deliver faster and farther – reaching 83% of the U.S. population within 2 days via UPS ground delivery.



*“We are redefining the customer experience through Restock Kroger by rapidly accelerating our customer coverage area for seamless shopping, giving our shoppers the choice of stores, delivery, curbside pickup or ship to your door.”*

**Yael Cosset**

Kroger’s Chief Information Officer

### Scan, Bag, Go®

We also offer customers the option to scan, bag and go in 18 retail divisions and 400 stores. Scan, Bag, Go® –invented and built by the Kroger Technology team – gives customers a quicker shopping and checkout experience using a wireless handheld scanner or the Scan, Bag, Go® app on their personal mobile device. Shoppers can also view and download digital coupons, keep a running total of their order and view the current week’s sales ad for a personalized experience. Scan, Bag, Go® customers visit a store’s self-checkout area to pay or pay directly through the app, making shopping even faster.

We offer this option alongside traditional checkout lanes staffed by friendly associates, self-checkout, online ordering, curbside pickup, and home delivery in select cities. Like Pickup, Scan, Bag, Go® is one more way for customers to choose when and how they want to shop with us.

### Kroger Pay

In 2018, we introduced Kroger Pay, a fast, safe way for customers to pay and save using a mobile device at participating locations. Kroger Pay is an easy-to-use feature within the Kroger family of stores apps, which are available for iOS and Android devices.

After a customer enters their custom PIN or biometrics, the app provides a single-use QR code to scan at checkout to quickly communicate payment and loyalty card information, including digital coupons and personalized offers. The single-step solution reduces checkout time and creates a more frictionless experience for both store associates and customers.

Because the Kroger Pay wallet is linked to their Rewards program loyalty account, customers automatically accrue loyalty points when making an eligible purchase using Kroger Pay. Kroger Pay is available to use at both traditional checkout lanes and self-checkout stations.





SPOTLIGHT

## KROGER & OCADO CHANGE GROCERY RETAIL

The Kroger family of companies embraces innovation to change how America eats. In 2018, Kroger and U.K.-based online supermarket Ocado announced an exclusive partnership agreement that further accelerates Kroger's plans to create a seamless shopping experience for our customers. The alliance will bring to the U.S. the technology underpinnings of the Ocado Smart Platform, which includes online ordering, automated fulfillment and home delivery capabilities.

Ocado will partner exclusively with Kroger in the U.S., enhancing Kroger's digital and robotics capabilities and helping expand its seamless coverage area.

Kroger committed to building 20 customer fulfillment centers (CFCs), powered by Ocado. The CFC model – an automated

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## Introducing Nuro

In 2018, Kroger launched the first-ever unmanned delivery service available to the general public with partner Nuro, a company that focuses on using robotics and artificial intelligence to solve big challenges.

In the first phase, Kroger and Nuro operated a first-of-its-kind self-driving grocery delivery service in Scottsdale, Ariz., serving a single zip code with an autonomous vehicle fleet. Working as partners, the companies tested a self-driving grocery delivery service at a Fry's Food Stores location, using an autonomous Prius fleet accompanied by vehicle operators. During the pilot, the autonomous vehicles safely completed nearly 1,000 deliveries to customers.

Based on this success, Kroger and Nuro moved the next phase of the autonomous grocery delivery pilot to Houston. Kroger operates 102 stores in the Houston area, which has embraced digital and technology advancement. Customers across Houston can schedule grocery orders for delivery from two store locations based on availability 7 days a week.

*"Nuro envisions a world without errands, where everything is on-demand and can be delivered affordably. Operating a delivery service using our custom unmanned vehicles is an important first step toward that goal."*

**Dave Ferguson**

Nuro President and Co-Founder



CONTINUED FROM PAGE 54

**KROGER & OCADO CHANGE GROCERY RETAIL**

warehouse facility with digital and robotic capabilities, also known as a “shed” – will be replicated to serve customers across America. Kroger recently broke ground on the first U.S. customer fulfillment center in Monroe, Ohio. Two additional sites have been selected in the Central Florida and Mid-Atlantic regions.

Going forward, we are committed to further optimizing the digital experience by placing our customers at the center of everything we do, adding inspiration and discovery through recipes and product content – creating even more personalized customer experiences.



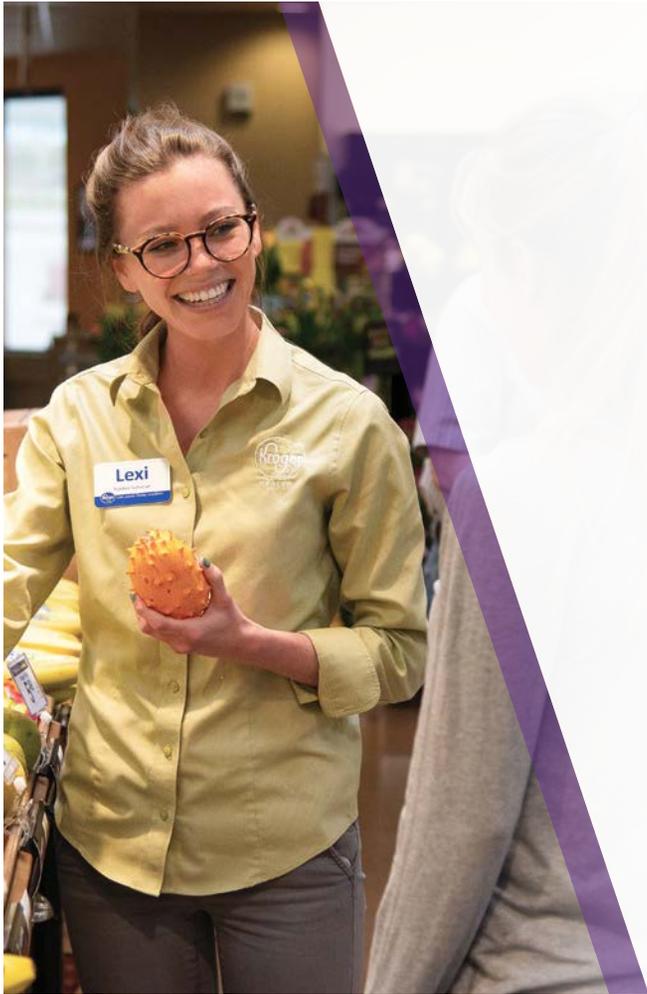
### Gathering Around the Table

We recognize that many customers are short on time when it comes to making dinner. In 2018, Kroger and Home Chef teamed up to introduce meal kits in our family of stores, bringing variety and convenience to busy customers looking for meal solutions.

Home Chef, based in Chicago, is one of the largest meal kit delivery companies in the U.S., with more than 3.5 million meals delivered each month. Home Chef meal kits feature fresh, pre-portioned ingredients and simple recipes that anyone can cook and everyone can enjoy. Each week’s rotating menu showcases a variety of meal kits with different levels of cooking and preparation times, including meals that can be prepared in 15 minutes or less, an Oven-Ready line that comes packed in an oven-safe tin eliminating the need for a pan, and a Heat & Eat line that can be warmed in five minutes or less.

In 2019 Kroger and Home Chef expanded the program to over 1,000 locations, giving more people convenient access to quick, simple and delicious meals. Customers can order Home Chef meal kits for Pickup and Delivery at select stores on the Kroger app and at [www.kroger.com](http://www.kroger.com). Home Chef also delivers meal kits directly to customers’ homes by ordering online directly from Home Chef.

Home Chef shares Kroger’s commitment to Zero Hunger | Zero Waste and is constantly working on its entire food system to eliminate food waste. Whenever possible, excess food is donated to local food pantries, and the rest goes to food waste recycling programs. Home Chef also strives to use packaging that is recyclable and keeps the food at a safe temperature during the entire journey from the facility to customers’ homes. Home Chef has also partnered with Feeding America in 2018-19 to provide at least 1 million meals to help people in need.



# Health and Nutrition

GRI 103-1, 103-2, 103-3

As the country's largest food retailer, we recognize our ability and responsibility to offer healthy product choices and services for the nine million customers we serve every day. Focusing on health and nutrition means we encourage our customers to include more healthful and nutritious products in their baskets, support wellness in our communities through our pharmacy and The Little Clinic® operations, and provide tools and programs to help customers adopt healthier lifestyles.

How we improve health and nutrition is important to Kroger – involving departments and experts across the company – as well as our external stakeholders, like customers, investors and community organizations. Kroger's commitment to improve health in our communities reflects Our Purpose – to Feed the Human Spirit™ – and our vision: to serve America with food inspiration and uplift. It also aligns with Kroger's Zero Hunger | Zero Waste plan and focus on improving access to healthy, affordable food.

Kroger's president of Pharmacy and The Little Clinic® oversees our health and nutrition strategies and programs, while our vice president of Grocery & Natural Foods and vice president of *Our Brands* have responsibility for the natural and organic products that we offer in store. We also have 18 dietitians on staff and several Nutrition Technicians to inform and develop health and wellness initiatives at both the corporate and store level. Our dietitians develop content and recipes, consult on product development, and have input into health and wellness merchandising decisions. In our stores, dietitians provide clinical nutrition services to the community as part of the Kroger healthcare team.

At Kroger, we believe food is medicine. Our team of dietitians and nutrition technicians is committed to helping all Americans experience the healing power of food.



SPOTLIGHT

## MEDICATION DISPOSAL

In 2018, Kroger partnered with Cardinal Health to host drug take-back events at participating Kroger family of pharmacies locations, as part of the U.S. Drug Enforcement Agency's National Prescription Drug Take-Back Day. These events provide a safe, convenient and anonymous way for area residents to dispose of unused or expired medications – which is highly important during the current opioid crisis in America.

Through Kroger's partnership with DisposeRx®, customers also have an easy way to throw away medication safely at home. Kroger pharmacy associates offer free DisposeRx® at-home medication disposal packets for certain opioid medications and during National Take-Back Days for all medication.

In addition, Kroger has a partnership with EVERFI to provide high school students with drug abuse prevention education through the Prescription Drug Safety Network.

[READ MORE IN THE COMMUNITY ENGAGEMENT SECTION.](#)



## RETAIL PHARMACY

Kroger is the fifth-largest pharmacy operator in the U.S. in number of locations, operating 2,271 retail pharmacies in our stores. During fiscal year 2018, our pharmacists filled over 200 million prescriptions.

Aside from dispensing safe, accurate and appropriate medications, we are committed to providing a holistic, personalized, quality health experience to our patients. Our everyday services include: vaccinations, medication synchronization, Medication Therapy Management and a variety of health screenings. Our everyday services have been proven to significantly improve population health measures, such as medication adherence. In addition, many of our pharmacies offer more intensive education and management programs such as diabetes and heart healthy coaching, diabetes self-management education (DSME) and diabetes prevention programs. These programs have been proven to reduce emergency room visits, hospitalizations and total health care costs.

Kroger Specialty Pharmacy is a nationwide specialty pharmacy providing medications and supplies that treat complex chronic diseases and conditions such as hepatitis C, multiple sclerosis, cancer, rheumatoid arthritis and more. Specialty medications can be delivered to patients as injectable, infused, oral and topical forms. Kroger Specialty Pharmacy optimizes patient outcomes by blending high-touch, caring patient experience with specialized clinical knowledge, personalized total life care programs and administrative expertise. We offer unique programs designed to empower patients including education and resources; counseling and side effect management; and financial assistance programs.

[LEARN MORE ABOUT OUR PHARMACY OPERATIONS.](#)



## THE LITTLE CLINIC

Kroger was on the forefront of this healthcare delivery model when we purchased The Little Clinic in 2010. Currently, The Little Clinic operates in nine states inside select Kroger, Dillons, Fry's Food Stores, Jay C and King Soopers stores. The Little Clinic is uniquely positioned to make routine care more convenient, accessible, and affordable. In 2018, The Little Clinic successfully earned The Joint Commission Gold Seal of Approval™ for the fourth consecutive time by demonstrating continuous compliance with its nationally-recognized standards. The Little Clinic is one of only two retail clinic organizations that earned accreditation by The Joint Commission.

In 2018, The Little Clinic operated over 220 clinics and took care of more than 1.5 million patients. We prioritize providing high quality of care, expanding our assortment of services to meet our customers' diverse health needs as well as providing a highly convenient healthcare option for our customers – which is the number one reason our customers choose to get care from us. Our shoppers love that The Little Clinic offers quality health care seven days a week inside the store they already visit.

Staffed by board-certified nurse practitioners and physician assistants, The Little Clinic clinicians diagnose and treat common illnesses and minor injuries, provide vaccinations, physicals, travel health services, health screenings to identify diseases earlier, and manage ongoing conditions.

Through unique partnerships and affiliations in several markets, The Little Clinic is improving access to care and strengthening care coordination for the patient. The Little Clinic participates in The Center for Medicare and Medicaid Services' Quality Payment Program and has demonstrated positive adjustments for quality performance for each year of participation.

The Little Clinic will continue to grow in 2019 by focusing on service expansion, including broadening employer services and developing additional network and care coordination opportunities with unique partners. In addition to on-site services, The Little Clinic regularly offers customers information about nutrition choices.

[LEARN MORE ABOUT SERVICES OFFERED AT THE LITTLE CLINIC.](#)



## VIRTUAL DIETITIANS

In recent months, Kroger also launched online Virtual Dietitian services, available through our websites. Two-way video chat allows customers to work with a dietitian from the comfort of their home, or even via their smartphone if they're on the go. Our specially trained dietitians offer their food, grocery and clinical nutrition expertise to our customers in a customized, personal way. The addition of these services means that we are able to counsel, educate and create nutrition prescriptions for our customers nationwide, as well as for those who live outside of our market areas or do not currently shop our stores.

[LEARN MORE ABOUT OUR VIRTUAL DIETITIANS.](#)



SPOTLIGHT

## PLANT-BASED OPTIONS

Our customers are increasingly seeking out plant-based meal options to increase healthful eating and reduce their impacts on the environment. We are continuously offering new products across categories – including the fresh meat case. In 2018, we launched the Beyond Meat burger in many of our divisions, with significant success.

Kroger's own Simple Truth® brand is also including more plant-based offerings in its ever-expanding assortment, like non-dairy milk, yogurt and ice cream alternatives and vegan dinner and meal solutions. And of course, our national brand partners have many new and exciting products that we share with customers in our stores.

## WELLNESS YOUR WAY

Wellness Your Way is Kroger's platform for communicating our health and nutrition offerings: our pharmacies and health clinics, nutrition and exercise information, and over-the-counter resources. Wellness Your Way, which is shared with our customers online and in our stores, reflects our commitment to offering health solutions for diverse customers and needs.

We support customer lifestyle choices through multiple channels:

- Product assortment
- Shopping tools
- Events and festivals
- Online resources
- In-store support
- Partnering with others

### Healthy Product Assortment

Our customers are increasingly looking to Kroger for affordable, healthy foods. Through *Our Brands* and national brand products, we provide a wide, varied assortment of products that meet many different lifestyles – including those focused on eating healthier options. Using the nationally-recognized nutrient profiling system underlying our OptUP app, we have a useful definition of healthy products that helps guide our product development, product assortment and ultimately customer choices.

### Online Resources

Kroger recently launched a new website, [www.krogerhealth.com](http://www.krogerhealth.com), which will serve as a content hub for customers to learn more about our many health and wellness services, including our pharmacy, clinic and nutrition offerings. This site also provides valuable information about our commitments, achievements and developments as a health-services provider.

Meanwhile, our customers who shop on [www.kroger.com](http://www.kroger.com) will continue to readily find resources for how to adopt healthier lifestyles day-to-day, such as products that meet their dietary preferences, recipe ideas, tips and tricks for adopting healthy eating habits, and means to manage their appointments and prescriptions through Kroger.



## OptUP to Make Healthier Choices

Last year, Kroger introduced OptUP, an innovative app that scores shoppers' food purchases with Kroger for nutritional value. Then, based on purchases, OptUP offers better-for-you options and delivers a metric for tracking improved nutrition over time.

Our scores are based on a nationally-recognized nutrient profiling system that's been enhanced by our team of Registered Dietitians. This system helps summarize the information on nutrition labels, making it easy to compare similar products and find better-for-you options. You'll see recommendations based on what you already buy. And your household dashboard will let you track your progress and make nutritional changes you can track over time.

Products are scored 1-100 and placed in the following three categories:

- **Foods that score 71+:** Better-for-you foods! These foods are lower in saturated fat, sodium, sugar and calories, and may be higher in fiber, protein or ingredients like fruits, nuts and vegetables.
- **Foods that score 36-70:** These foods are in the middle – somewhat higher in saturated fat, sodium, sugar or calories – or may have lower fiber, protein, and fruit or veggie content compared to green foods in the same category.
- **Foods that score 1-35:** Enjoy these foods occasionally. They're likely higher in saturated fat, sodium, sugar and calories, and lower in fiber, protein, and fruit or vegetable ingredients.

[DOWNLOAD THE OPTUP APP ON THE APP STORE OR GET IT ON GOOGLE PLAY.](#)

Since launching the OptUP app, we have made some notable improvements that further enhance our customers' user experience. For example:

- We expanded and improved data in the OptUP app to include more nutrition information on each product page.
- By adding dietary tags to product pages, we help customers better understand how their purchases align with their dietary preferences. Example tags include diabetes-friendly, gluten-free, paleo and vegan. The Dietary Tags FAQs section of the app provides a description of each tag, and users can customize their experience in the app to reflect their preferred tags.
- The new Discovery section of the OptUP app helps shoppers readily search for products and product categories, browse products by dietary type and use the scan functionality to determine how a product of interest is rated in the app.



*Colleen Lindholz, Kroger's president of Pharmacy and The Little Clinic, is passionate about helping people live healthier lives.*

## Wellness Your Way Festival

In October 2018, Kroger held its first-ever Wellness Your Way Festival in Cincinnati. Kroger launched the event in partnership with singer-songwriter, actor, author and wellness advocate Jewel, with the goal of inspiring our customers and community members' healthy lifestyles – in their own way. Event content spanned four key areas – self-knowledge, nutrition, fitness and inspiration – and included diverse activities like cooking demonstrations, workout classes, challenge courses, an Expo with a variety of food and personal product samples, expert panels and evening concerts.

In total, the three-day festival included 77 scheduled events, 40 influencers and celebrities, and 21,000 attendees. Thanks to the success of our inaugural event, Kroger plans to hold Wellness Your Way Festivals in 2019 in Cincinnati and Denver.

## In-Store Support

In addition to Pharmacy and Clinic services available in our stores, Kroger is expanding nutrition-focused support for customers while in our stores, to enable better choices.

In 2018, Kroger piloted a new role in our stores, called a Nutrition Technician. These experts focus on engaging our customers across health, wellness and nutrition, and serve as on-the-ground, trusted resources for our customers looking to make better choices in the aisles of our stores. With approximately 60 Nutrition Technicians currently available in our Cincinnati and Nashville divisions, the Nutrition Technician program will be rolling out across our stores throughout 2019. The Nutrition Technicians play a critical role in enabling customers to 'fill' nutrition prescriptions they may receive from the dietitian or medical provider, similar to how our pharmacies fill drug prescriptions from medical providers. We have several pilots in flight aimed at testing this mechanism of healthcare delivery to improve outcomes.

Our checklanes give customers a range of products to choose from, but we have realized that there is an opportunity to give customers even more variety. Specifically, we recognize the value of including healthier options at the point of sale. As a result, we are testing what we call Customer Choice Checklanes – those with more better-for-you product options at the point of sale – in several stores, with 20 stores participating to date. We continued to perfect the implementation plan in 2018 and our goal is to roll out these healthier checklanes to several hundred stores in the coming year. We will work in coordination with other in-store improvement projects to streamline the process.

## Partner Engagement

As with many of our business and corporate responsibility initiatives, we know we cannot accomplish our goals alone. We amplify our own work and capabilities through partnerships with other service providers, community organizations and academic teams.

- We continued our work with academic partners at the University of Cincinnati to design and launch a clinical trial called SuperWIN, which will evaluate the efficacy of using food as medicine for cardiovascular patients. Designed to include 250 participants, the study will use Kroger's clinical nutrition services as the intervention tools.
- Through our partnership with the American Cancer Society and other health-focused organizations, we help advance research, treatment, education, nutrition and more to help individuals and families fighting cancer and other diseases.



# Food Access

GRI 103-1, 103-2, 103-3

We recognize that today, many of our customers struggle to make ends meet and pay for groceries. Our vision is to create a future where everyone has access to the food they need to thrive – anything, anytime, anywhere. Our digital platform and partnership with Ocado will give us a national reach and expand Kroger's ability to offer healthy food, no matter where you live.

We offer a range of *Our Brands* items and other products and services at affordable prices. Since 2000, Kroger has reduced prices by \$4 billion, helping our customers meet their weekly budgets.

We recognize that some customers are also eligible for government assistance through the Supplemental Nutrition Assistance Program (SNAP) and Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). We focus on making these benefits easy to use and improving the shopping experience for those who rely on them.

As a grocery retailer, Kroger's efforts to improve access to food are important to our stakeholders, including our associates, customers and communities. We also help influence progress across our family of companies and within our supply chain.

Kroger also works with community leaders, customers and key partners to identify new solutions that have the potential to help end hunger. These are our focus areas:

- Zero Hunger | Zero Waste Food Rescue
- Improving Access to Healthy Food
- Community Outreach

Kroger and The Kroger Co. Foundation directed **\$192 million** in food and funds to help end hunger in our communities in 2018.

A primary focus of our Zero Hunger | Zero Waste plan is improving access to healthy, affordable food for all.



SPOTLIGHT

## COOKING MATTERS

When it comes to sharing a fresh and healthy meal at home, some of our customers living with less are struggling. It can be intimidating to navigate the grocery store, shop for produce, prepare a meal and store leftovers – especially if you didn't grow up in a household where meals involved cooking.

We work with several community service agencies that offer help. One example is the Dillons Division's partnership with the Wichita, Kan., YMCA's Cooking Matters program, which offers free classes and resources to help parents and caregivers make healthy decisions and stretch their budgets. With Dillons' support, the YMCA has doubled the number of individuals served through Cooking Matters.



## ZERO HUNGER | ZERO WASTE FOOD RESCUE

Kroger's Zero Hunger | Zero Waste Food Rescue program is the heart of our commitment to ending hunger and reducing food waste. Through this program, we save perfectly delicious, edible fruits, vegetables and proteins that can be turned into a healthy dinner or a satisfying snack.

We measure progress against these goals:

- Accelerate food donations to give 1 billion meals by 2020, and 3 billion meals by 2025
- Donate not just more food, more balanced meals

In 2018, the Kroger family of companies donated 100 million pounds of wholesome food through our Zero Hunger | Zero Waste Food Rescue program, a 10% increase from the previous year. Of that, associates in our retail stores rescued 77 million pounds of food, up from 74 million pounds in 2017.

These critical product donations are supplemented by financial support throughout the year. Kroger has strategically shifted our corporate and local charitable giving to align with our Zero Hunger | Zero Waste social impact plan. In 2018, we directed a total of \$192 million in food and funds to help end hunger in our communities. By design, nearly 80% of grants from The Kroger Co. Foundation in 2018 supported non-profit organizations and programs to relieve hunger, up from 40% in 2017.

[FOR MORE INFORMATION ON FOOD RESCUE, PLEASE SEE THE ZERO HUNGER | ZERO WASTE SECTION.](#)

Kroger associates rescued **100 million** pounds of wholesome food in 2018 – enough to feed **80,000 people** for a whole year.



## IMPROVING ACCESS TO HEALTHY FOOD

Kroger works in partnership with many local community organizations to find new ways to provide healthy food for families in underserved neighborhoods. Examples include mobile markets and pantries, and capacity-building support for our food bank partners from coast to coast.

### Pick 'n Save Fresh Picks Mobile Market

Kroger is expanding the mobile market concept first launched in Milwaukee in 2015. The Fresh Picks Mobile market is a 100-foot former NASCAR trailer that found a higher purpose: feeding underserved communities. It offers more than 40 varieties of discounted fresh produce for sale, plus meat and dairy items, and serves about 1,200 Milwaukee residents each month.

The Pick 'n Save Mobile Market focuses on freshness, so it doesn't carry canned or processed foods. It first launched as a partnership between Pick 'n Save and the Milwaukee Hunger Task Force to provide nutritious options to underserved communities. Pick 'n Save associates help keep the mobile market running by stocking the truck each morning and staffing it on its rounds.

When the market first started, it made six stops a month in what are considered food deserts. Today, the market averages 30 stops a month, totaling about 355 stops every year. The market brings fresh food to many convenient locations on a predictable schedule – from schools and senior centers to pantries, community centers, apartment complexes and more. To date, the market has served nearly 15,000 customers and reached nearly \$1 million in sales. "Having these options really improves the quality of life for people that live here," says Racine County Mayor Cory Mason.

As a result of this success, a second Fresh Picks Mobile Market will begin operation in 2019, extending service across Milwaukee County to even more individuals and families.

*Kroger recently teamed up with the Virginia Peninsula Foodbank to sponsor its Culinary Training Program, a 12-week free training program to help eligible adults develop skills that can lead to jobs and greater self-reliance. Students learn the culinary skills they need to thrive while preparing food for local food insecure children in after-school and summer programs.*





SPOTLIGHT

## EXPANDING ACCESS TO HEALTHY FOOD

In February, Kroger and the Montgomery County Food Bank in the Houston area unveiled a new model for improving access to fresh food: The Produce Pod. This mobile pantry offers fresh food for families in need at no cost. With funding from The Kroger Co. Foundation, the Montgomery County Food Bank developed the Produce Pod to keep produce fresh longer on its way to partner agencies and distribution locations, helping direct more healthy food where it's needed most.

With this new refrigerated trailer, the food bank can transport more than 700,000 pounds of fresh food in the area every year, serving an additional 700 people every day. Twice a week, the food bank hitches the trailer to a truck and drives to more than 50 local food banks and partner organizations.

## Zero Hunger Mobile Market

Last year, a long-time community partner in Louisville, Ky., approached Kroger asking for help addressing a too-familiar problem: as many as 47,000 Kentucky and Indiana residents lack regular access to fresh and nutritious food. We suggested introducing the mobile market concept to the area.

Modeled after the Fresh Picks Mobile Market (see previous page), the new Kroger Zero Hunger Mobile Market is a collaboration between Kroger and Dare to Care, a hunger relief organization serving the greater Louisville area. This new market is scheduled to begin operations in August. As in Milwaukee, it will offer more than 40 types of produce, plus meat, dairy and seasonal selections.

Customers will also be able to use their food assistance benefits to stretch their dollars as they shop.

Kroger and Dare to Care worked with community leaders to design and test the Zero Hunger Mobile Market's schedules and routes. Together, we anticipate serving up to 15,000 customers a year at an estimated 400 community centers, senior living centers, housing complexes and other underserved areas.

## Working with Partners

Kroger helps food banks in our communities across the country expand services to reach more individuals and families. For example, Kroger partnered with **Food Bank of North Alabama** to provide food for senior citizens at two public housing facilities in Decatur, Ala. Associates from three area Kroger stores and the district staff helped Feed the Human Spirit and improve access to healthy food.

In Richmond, Va., the Kroger team donated a new refrigerated box truck to **Feed More**, a local food bank that runs a mobile pantry program. This new truck, Feed More's first in nearly a decade, increases its capacity to direct fresh food to families around the city's underserved Southside. With Kroger's support, Feed More distributed over one million pounds of food last year, improving local communities' access to healthy, nutritious food.



## FUEL THE FUTURE: SCHOOL PANTRIES

Learning stretches students to embrace a new way of thinking. For students across the U.S. who do not know where their next meal is coming from, learning is more than a challenge, it's nearly impossible. Bringing healthy food to students where they learn removes a key barrier to their success.

### Ending Hunger at School

Nearly half of the students in the Granite School District in Salt Lake City struggle with hunger. In partnership with the Granite Education Foundation, The Kroger Co. Foundation and our Smith's Division developed on-site pantries for two schools in Salt Lake City. The Smith's team donates fresh food and essential grocery items to help keep the pantry stocked.

Families only need a valid student identification number to access these pantries. As more clients use the pantries, the school administrators and teachers have noticed improvements in student behavior, increased attendance and a greater sense of community. Learn more [here](#).

Smith's also helped introduce a pantry at Garfield Middle School in Albuquerque, N.M. Thanks to a partnership between Road Runner Food Bank and Smith's, this school pantry opens its doors twice a month to offer families fresh food options and essentials. Volunteers stock the shelves and work with families to create healthy recipes using these items.

"We had a client who wasn't sure what to do with bananas that were starting to brown," said Sonya Warwick, communications officer at Road Runner Food Bank. "The coordinator explained how they

could be frozen and used to make smoothies or mixed in with salads. The client ended up taking a fruit he may have otherwise passed by, and more importantly, he has a better understanding of how to use a product the pantry regularly stocks."

Similarly, Kroger partnered with Second Harvest Food Bank of East Tennessee to open a school pantry at Briceville Elementary School, which serves families in this rural part of northeastern Tennessee. Since the pantry opened in November, parents have been able to receive food assistance for their families in a familiar environment they trust.

*"We have found that in some of our more rural areas, the elementary and middle schools are a safe place for families to ask for help, while helping cultivate a sense of community with others in similar home-life situations."*

**Elaine Streno**

Executive Director of Second Harvest Food Bank of East Tennessee



SPOTLIGHT

## NEW MARKETS TAX CREDIT ALLOCATION

To improve access to healthy foods in metro Atlanta, Kroger directed a \$15 million New Markets Tax Credit (NMTC) allocation to support the construction of a 345,000-square-foot food warehouse and distribution center for the Atlanta Community Food Bank (ACFB).

Plans for the new warehouse and distribution center include approximately 70,000 square feet of cooler and freezer space, which will allow ACFB to place greater emphasis on fresh food rather than canned or dry goods. This design decision will allow ACFB to move nearly 50 million pounds of fresh fruits and vegetables annually from the warehouse to partner organizations by 2025, approximately quadrupling its distribution of fresh produce. The new facility will also create around 85 new jobs.

CONTINUED ON PAGE 68



Partners celebrate the opening of the FUEL NKU pantry.

## Fuel for College Students

Dillons Store Manager Mark Monroe is making a difference for college students. While at the Dillons store near the University of Kansas in Lawrence, he led efforts to support the school's food pantry. Later, after moving to a store near Kansas State University (KSU) in Manhattan, he uncovered a unique opportunity to create change in that school.

In 2018, a full-day university-wide fundraising program helped make the KSU Cats' Cupboard possible. This effort included faculty, students and alumni, with donations from all 50 states. Monroe and the Dillons team joined in the day of giving and continue to support the food pantry as it grows.

Northern Kentucky University (NKU) in Highland Heights, Ky., has a similar focus on ensuring college students have the food they need to succeed. For many years, the FUEL NKU food pantry served students from its 300-square-foot space in the basement of a campus building. With support from The Kroger Co. Foundation, the pantry moved to a new 2,300-square-foot space in the middle of the student recreation building. In addition to a food pantry that features fresh foods, protein and hygiene products, the space has offices for students studying social work to connect directly with the clients the pantry serves.

"We offer more than just food," says Dr. Jessica Taylor, FUEL NKU faculty coordinator and associate professor, Department of Counseling, Social Work and Leadership. "If a student needs directions to a building on campus, we'll walk with them. If they need a trusted person to talk with, we're here for them."

Since the pantry moved to its new space in February, more students are shopping in it, embracing fresh food and finding a trusted support system they never knew was available. While each school serves its population a little differently, each has the same goal: empowering students to complete their education with a healthy diet and a caring community.

## NEW MARKETS TAX CREDIT ALLOCATION

This is the first time Kroger's Community Development Entity has supported a non-profit organization through its NMTC allocation to the ACFB. The NMTC program is a prospective source of funding for the construction or major improvement of a commercial building in qualified census tracts, specifically where the poverty rate is at least 20% of the community.

NMTC incentivizes businesses and real estate companies to invest in low-income communities through a federal tax credit. The program is directed by the U.S. Treasury Department's Community Development Financial Institutions (CDFI) Fund and allocated by local Community Development Entities (CDEs) across the United States.

*"This allocation is a comprehensive, once in a generation, transformational investment in the capacity of the Atlanta Community Food Bank and the larger emergency food system we support."*

**Kyle Waide**

CEO of the Atlanta Community Food Bank



## COMMUNITY OUTREACH

Kroger associates around the country volunteer their time and talents to help local families in need of healthy food. We also create opportunities for our associates, customers and neighbors to get involved in the fight against hunger. Here are a few examples:

- For the ninth consecutive year, Kroger supported the annual SuperBowl of Caring event to help transform the time around the big game into a celebration of giving and serving. The Kroger team engaged customers to purchase pre-packaged meals for the North Texas Food Bank and Tarrant Area Food Bank in the Dallas-Fort Worth area. Volunteers at five food banks in Texas and Louisiana packed 31,000 boxes of food for hunger relief charities.
- Dillons sponsored the Pack Shack "Feed the Funnel" event during Kansas Cares Day at the Kansas State Fair in Hutchinson, Kan. In all, about 200 volunteers gave their time to pack 25,000 meals for the Kansas Food Bank in one afternoon.
- Kroger's Delta Division leaders came together to fill nearly 700 weekend snack bags – one for every child at Germantown Elementary School in the Memphis, Tenn., area.
- The Ralphs and Food 4 Less teams engaged customers throughout Southern California in the Help for the Hungry donation drive during the holiday season last year. Together, we raised more than \$400,000 – or more than 1.5 million meals – to help families who are food insecure.
- Support from The Kroger Co. Foundation helped Interfaith Ministries expand Greater Houston's Meals on Wheels program. This service brings prepared meals to seniors and other homebound adults who want to live in their own homes, plus weekend meals and a week's worth of breakfast to more than 1,100 of the most frail and isolated clients.

**FOR ADDITIONAL INFORMATION, PLEASE SEE THE [COMMUNITY ENGAGEMENT SECTION](#).**



# Community Engagement

GRI 103-1, 103-2, 103-3, 413-1

The Kroger family of companies is committed to community engagement, positive social impact and charitable giving at the national and local levels. Every community is unique, and we follow established principles to achieve a common goal: to be welcome in our neighborhoods and help people live healthier lives. Grants from The Kroger Co. Foundation also support nonprofit organizations that align with our mission and drive positive change in our communities.

Our Corporate Affairs team is responsible for community engagement in partnership with the company's senior officers and leaders. The centralized Corporate Affairs function includes both corporate staff and retail division teams, all reporting to Kroger's group vice president of Corporate Affairs. The team defines policies and best practices in community relations and public affairs and is the primary point of contact for stakeholders and interest groups. We report on our community engagement activities to the Public Responsibilities Committee of Kroger's Board of Directors.

[LEARN MORE ABOUT OUR STAKEHOLDER ENGAGEMENT APPROACH.](#)

[READ OUR COMMUNITY ENGAGEMENT PRINCIPLES.](#)

Kroger is committed to being a trusted partner in the communities where we live and work.



SPOTLIGHT

## HEALTHY FOOD FOR ALL

We hear the phrase ‘food desert’ often today. The Centers for Disease Control and Prevention defines a food desert as an area that lacks access to affordable fruits, vegetables, whole grains, low-fat milk, and other foods that make up the full range of a healthy diet. It’s a complex topic, and one we are addressing head on with local and national partners.

Through innovative solutions and partnerships, we focus on bringing fresh, better-for-you food to families wanting to live healthier lives. We continue to explore new models for improving food access and food security, including mobile markets and pantries, food bank partnerships and programs, school pantries, and other solutions developed with input from our customers, associates and partners.

[READ MORE IN THE ZERO HUNGER | ZERO WASTE AND FOOD ACCESS SECTIONS.](#)

## Our Approach

Kroger believes in an open two-way engagement process, including regular touchpoints with stakeholders and members of our community. We recognize that our stakeholders represent a wide variety of interests, and we welcome ongoing dialogue on key topics.

Corporate Affairs managers and other leaders in our retail divisions, manufacturing plants, distribution centers and offices engage community members throughout the year. This includes sharing updates on our business and operations, discussing local priorities, partnering on local events, identifying opportunities for philanthropic support, and more. We also connect with community leaders, neighbors and others on significant business decisions, such as investments in new stores or remodels.

In Cincinnati, we reached out to community leaders and customers while developing plans to build a new retail store in the city’s downtown urban core, a priority among area residents for many years.

This new two-story Kroger store – scheduled to open later this year – will anchor a mixed-use building with apartments and a parking garage. It replaces an existing smaller store a few blocks away.

During the planning process, we worked with 84.51° to capture input from long-time and newer downtown residents about the store. We asked neighbors what they want and expect so it reflects the spirit of the historic Over-the-Rhine neighborhood and meets the needs of those who work and live in the central business district. From the beginning, the Kroger team wanted to offer the best mix of products and prices to create a shared community space that is inclusive and welcoming to all.

## Creative Solutions

At times, we also face hard choices, such as closing an under-performing store or plant. Closing a store is never an easy decision. We are mindful that grocery stores are not only places where people shop for food, they are also social and employment hubs in many communities. In these situations, Kroger is committed to being open and transparent, caring for our affected associates and customers and minimizing disruption to the community where possible. We continue to follow and develop best practices for community engagement in these situations.

Most recently, Kroger and community leaders worked together to consider creative solutions to lift up two under-performing stores, one in Columbus and another in Atlanta. Our goal: improve the stores’ business results by changing some key elements that matter most to neighborhood residents, including product assortment and promotions. To guide us, we engaged our customers and associates – who also live and work near the store – to understand what is working and not working. We continue to monitor progress, adjust our plans and measure results.



We directed more than **\$328 million** in Kroger's name to our communities in 2018.

## Measurement

We measure the effectiveness of community engagement in many ways, including direct feedback through conversations or surveys; the number of meals we provide; food donated through our Zero Hunger | Zero Waste Food Rescue program; charitable giving and fundraising; and associate and customer engagement in events that make a difference in our communities. Wherever we live and work, Kroger leaders and associates connect in ways that are meaningful to that community.

## GIVING

In 2018, a total of more than \$328 million was directed in Kroger's name to our communities – in food and funds. This includes the value of the donations we make through the Zero Hunger | Zero Waste Food Rescue program. Of the total, we directed \$192 million to help end hunger where we live and work.

We support organizations that share our mission to transform communities. After introducing Zero Hunger | Zero Waste, we began aligning more community engagement and charitable giving to this social impact plan. We believe focusing more resources and conversations on achieving our mission will help us achieve significant progress on our journey to transform our communities by 2025.

We focus grant-making in these areas:

- Zero Hunger | Zero Waste
- Diversity & Inclusion
- Health & Nutrition
- Stronger Communities

[LEARN MORE ABOUT OUR CHARITABLE GIVING GUIDELINES.](#)

We invite national and local 501(c)(3) registered nonprofit organizations to review our guidelines or request a donation by visiting [www.community-gifts.com](http://www.community-gifts.com).

Our giving also reflects the generosity and involvement of our associates and customers, who amplify our philanthropic contributions. In 2018, funds collected from our associates and customers for local charities totaled \$58.5 million.

Last year, we also completed a project to modernize Kroger's charitable giving process and guidelines, and improve our ability to track, measure and report grant-making. This gives us real-time visibility into activities and support for our communities company-wide.



## Our Foundations

Our spirit of giving is clearly reflected in The Kroger Co. Foundation, our private foundation. Established in 1987, the Foundation works to make a difference in the communities where we operate – across 35 states and the District of Columbia. We focus on supporting our communities’ needs today and finding innovative solutions to help end hunger tomorrow.

In 2018, the Foundation directed grants to nonprofit organizations focused on ending hunger, improving food security and bringing healthy, balanced meals to families in need. We strategically align more than 80% of the grants from The Kroger Co. Foundation to our Zero Hunger | Zero Waste social impact plan last year.

We also established The Kroger Co. Zero Hunger | Zero Waste Foundation in late 2018, our new public charity designed to enable collective action to achieve our 2025 goals. A signature program of this foundation is our Zero Hunger | Zero Waste Innovation Fund, launched earlier this year. Together with our partners, we will achieve meaningful change that transforms our communities.

## Volunteerism

At Kroger, we are committed to be a key partner where we work and live, both by helping others and by engaging local leaders in business decisions that affect the community. We believe our neighborhood stores – in nearly 2,800 communities across the U.S. – are a core strength because they offer a place for personal connection, familiar faces and great food.

We believe any place where we operate is a Kroger community, and we encourage our associates to volunteer their time to support our neighbors and get involved. Our associates have big hearts, and they show it every day. In addition to supporting organizations that align with Zero Hunger | Zero Waste, we also encourage teams to get involved in causes that are important to them.

Here are a few examples:

- During National Family Meals month in September, Fry’s Food Stores hosted a family meal at one-n-ten’s youth center in downtown Phoenix. One-n-ten offers services for LGBTQ youth and young adults. Chef O and Chef Emily from Fry’s Signature Cooking School worked with youth from ages 14 to 24 to prepare all the dishes for the meal.



*Kroger associates in Houston teamed up for Rodeo Acts of Kindness Day during the annual Houston Livestock Show & Rodeo. Kroger has been a long-time Rodeo supporter, sponsoring events to benefit youth education in Texas.*

**CONTINUED ON P. 73**



- Kroger joins United Way of Greater Cincinnati and Ernst & Young on Saturdays in February to help prepare tax returns at no cost for low-income families who would have difficulty paying for professional tax preparation. This year, a team of 30 associates helped 230 local families receive more than \$400,000 in tax refunds.
- In Nashville, Kroger associates volunteered to help with the Muscular Dystrophy Association Summer Camp (above), where kids with muscular dystrophy and related diseases enjoy weeklong activities. Our team helped the campers make healthy smoothies using *Our Brands* and Simple Truth® items – and raised money for the organization.
- 84.51% associates in Cincinnati voted to support the local Save the Animals Foundation in 2015. Since then, they've hosted several 'Yappy Hours' where pets join in after-work activities, gathered supplies and directed a total of \$50,000 in support to the organization, in partnership with The Kroger Co. Foundation.

## Community Rewards

In 2018, we also directed \$33.2 million to more than 58,000 local schools and organizations participating in Community Rewards, our sales-based local fundraising program. We believe that by supporting local organizations, we strengthen the neighborhoods where our customers and associates live and work. Community Rewards gives customers the opportunity to contribute to causes that matter to them every time they shop with us. Our stores make donations each quarter based on where our customers tell us to give. The program is free and does not affect fuel points or coupon discounts. Customers can search for their favorite school or local organization online at [www.KrogerCommunityRewards.com](http://www.KrogerCommunityRewards.com).

## SUPPORTING MILITARY SERVICE MEN & WOMEN

Supporting military service members and their families is important to the Kroger family of companies. Kroger is a national partner of the USO, which has been keeping the nation's service members connected to family, home and country for 75 years through a wide range of programs and services. National and local events to support the USO are our way of saying 'thank you' to our active duty service members and our nation's 23 million veterans.

In 2018, Kroger and The Kroger Co. Foundation provided \$2.3 million to the USO, including a \$1 million corporate donation and funds raised from our generous customers and associates. Together, our associates, customers, vendors and The Kroger Co. Foundation have contributed more than \$25 million to the USO in support of programs for service members and their families. Kroger's donation is the single largest cumulative gift to the USO in its 77-year history.



Kroger is the single largest cumulative donor in the USO's 77-year history.



Members of Kroger's Veterans Associate Resource Group have military experience or wish to support veterans and active duty military service men and women. This year, the Veterans ARG will host its 6<sup>th</sup> annual Honoring Our Heroes 5K.

This event brings associates and customers together to recognize and celebrate the service of veterans and military families in the Cincinnati and Dayton area.

## A Taste of Home

Our support for members of the military extends beyond fundraising. In recent years, Kroger has hosted barbecues in more than 30 locations – including Kuwait and Germany – feeding more than 20,000 service members and their families. At these and other events, Kroger associates from coast to coast work side by side with USO volunteers to bring a taste of home to service members and their families. Examples include:

- In 2018, the USO hosted its first Warrior Week in Nashville, Tenn., bringing many wounded and ill service members and their families together for therapeutic and recreational activities to aid their recovery. As an event sponsor and partner, Kroger associates provided a barbecue lunch for all the participants.
- In California, the Ralphs and Food 4 Less teams showed their support for the USO and military service members during LA Fleet Week at the Port of Los Angeles. This annual event over the Labor Day weekend honors troops in our nation's Sea Services – the U.S. Navy, Coast Guard and Marines. More than 90 Food 4 Less and Ralphs associates volunteered to show their appreciation to 1,000 men and women from our nation's military as part of Fleet Week's opening day. Associates served lunch and packed and distributed care packages to our service members.
- Smith's in Las Vegas expressed their appreciation for troops based at Creech Air Force Base in

Nevada. A team of associates helped USO volunteers prepare a barbecue breakfast and lunch for more than 1,200 military service men and women training for combat and support roles.

- Stores across the company also support their local USO Centers. Associates at Ralphs store #52 in Simi Valley, Calif., organized a Stuff the Truck event to support the Bob Hope USO Center in Los Angeles by helping them stock up on essentials. The Ralphs team members also included their own handwritten notes to service members getting ready for deployment.

Our family of companies also helps organizations like nonprofit Operation Homefront that support military families. The Fred Meyer team, based in Portland, worked with Operation Homefront last year to provide meal kits for 500 military families in Washington State and Anchorage, Alaska, through their Holiday Meals for Military campaign.



**SPOTLIGHT**

## **CALIFORNIA WILDFIRES**

When the Hill and Woolsey fires threatened many Southern California communities last year, Ralphs and Food 4 Less associates were quick to help support the evacuation centers for residents fleeing their homes.

Teams pulled together food, water and personal care items for an American Red Cross fire evacuation center in Woodland Hills. Associates at Ralphs store #731 in Malibu kept the store open around the clock for days to support first responders who were using the parking lot as a staging area and to offer refuge for residents who stayed behind. Ralphs also offered customers a way to help local wildfire relief efforts, collecting donations for the Red Cross at checklanes in all stores.

*Above: The Malibu Dolphin Foundation honored the Ralphs team at store #731 with the Harvey Baskin Malibu Business Citizen of the Year Award for supporting the community during and after the Woolsey Fire.*

## **DISASTER RELIEF**

As a national retailer with nearly 2,800 neighborhood stores, we are uniquely able to help when natural disasters happen. Kroger's network of stores, manufacturing facilities and distribution centers mobilizes quickly to offer support for people affected – before and after a disaster. We work with our partners at the American Red Cross, local governments, first responders, Homeland Security and local food banks to support our communities.

Kroger's response actually begins before disasters happen, if possible. Our Kroger Technology, Supply Chain, Retail Operations and Facility Engineering teams monitor weather conditions around the clock from our command center in Blue Ash, Ohio. At the first sign of severe weather, we activate established plans to adjust deliveries and stage teams, equipment and supplies nearby – all to make sure our customers have access to the food and essentials they need.

In 2018, Kroger and The Kroger Co. Foundation directed nearly \$1 million to support disaster recovery efforts for regions affected by hurricanes, wildfires, flooding and tornadoes. We generally direct our support to the American Red Cross and food bank partners in affected communities. In 2017, a total of \$3.5 million in charitable funds supported recovery efforts in regions affected by Hurricanes Harvey and Irma.

## **Hurricane Recovery**

In the fall of 2018, Hurricane Florence threatened coastal communities along the Mid-Atlantic region. Ultimately, the Category 4 storm affected communities in North and South Carolina and caused devastating flooding. The Kroger and Harris Teeter teams worked quickly to direct supplies and funds to partners who provided much-needed relief.

We assembled extra drivers and deliveries to help stores keep up with the high volume of customers needing water, food and supplies. In all, The Kroger Co. Foundation provided \$200,000 in grants to benefit food banks in the Atlanta and Houston regions after the hurricane plus in-kind support. In Atlanta, Kroger worked with Feeding America to distribute 750,000 meals to families and local community food banks in the Carolinas recovering from the hurricane. The Atlanta team also partnered with Lucky's Market to donate a truckload of food and supplies to help families in Pensacola, Fla.



*Kroger's support and volunteers help Urban Harvest create school and community gardens in Houston.*

## PROTECTING OUR PLANET

Kroger also supports and encourages local efforts to protect our planet. As part of Kroger's Zero Hunger | Zero Waste plan, we give back in ways that promote the value of the food we grow, help conserve natural resources and reduce waste.

[READ MORE IN THE ZERO HUNGER | ZERO WASTE AND PLANET SECTIONS.](#)

### Urban Harvest

In Houston, Kroger partners with Urban Harvest – a leader in the local food movement – to build awareness for conservation through community gardens, farmers markets, and education and classes. Together we created five community gardens in the Houston area and engaged local families in a garden workday at Foxwood Early Childhood Development Center.

At Urban Harvest's Saturday Farmers Market, Kroger hosted a chef series with live cooking demonstrations using local seasonal produce from vendors and grocery staples from Kroger. Participants received recipes from these events so they could make the dishes at home.

Kroger also supported Urban Harvest's annual Fruit Tree Sale last year, with more than 100 varieties of fruit trees at affordable prices. The Green Thumbs Education Pavilion, sponsored by Kroger, offered environmental and nutritional activities for all ages, plus live music and food trucks.

### Fred Meyer Hosts Green Days

Our Fred Meyer Division has teamed up with the NBA's Portland Trail Blazers and several vendor partners to help eliminate waste in the community. Together, they host local Green Days, when members of the community can drop off hard-to-recycle items – including polystyrene foam packaging and containers, plastic film, cardboard, batteries and electronics – at their Fred Meyer store.

Customers stop by to recycle, learn more about conservation and our environment, and meet Trail Blazers players. While there, they can enjoy samples of food, snap a photo or get an autograph with Trail Blazer personalities and receive free giveaways – as a collective 'thank you' for protecting our planet.



Events across the country highlight our associates' commitment to fighting cancer and other illnesses that have touched their lives.

In 2018, our Columbus Division donated \$150,000 for cancer research through Pelotonia, which hosts a three-day cycling event to support The Ohio State University Comprehensive Cancer Center – James Cancer Hospital and Solove Research Institute. A team of Kroger associates (below) raised over \$34,000, riding distances from 25 miles to 200 miles to support the cause.



## HEALTH & NUTRITION

Kroger and The Kroger Co. Foundation have supported many health initiatives throughout our history, including cancer research, education and support. In 2018, we directed more than \$10 million to nonprofit organizations focused on improving health as well as supporting patients and their caregivers.

[READ MORE IN THE HEALTH & NUTRITION SECTION.](#)

### Help for Hope Lodge

Facing a cancer diagnosis is hard, and traveling out of town for treatment can make it even harder. There is a place where cancer patients and their caregivers can find help and hope when home is far away – an American Cancer Society Hope Lodge.

Hope Lodge provides a nurturing, home-like environment where guests can retreat to private rooms or connect with others. In 2018, Kroger partnered with Hope Lodge to provide free accommodations and meals for 32,000 patients and caregivers, saving them nearly \$50 million. To offer a taste of home, Kroger associates also prepared and served meals for families at Hope Lodge locations in Atlanta and Memphis. Find more details [here](#).

Kroger has long supported organizations that advance breast cancer education, services and research. Our commitment is personal for thousands of Kroger associates across the country who support the cause every year as volunteers and participants at dozens of fundraising events in our local communities, including the American Cancer Society's Making Strides Against Breast Cancer® program and Susan G. Komen Race for the Cure®.



SPOTLIGHT

## EASY DISPOSAL AT HOME

Reducing the risks associated with unused prescription medications requires more than one approach. Through Kroger's partnership with DisposeRx®, customers have an easy way to throw away medication safely at home.

It works like this: customers add DisposeRx® powder and warm tap water to a prescription medication vial – with pills, tablets, capsules, powders, liquids or patches – and shake until a gel forms. Then the entire vial is placed in the trash.

Kroger pharmacy associates offer free DisposeRx® at-home medication disposal packets for certain opioid medications and during National Drug Take-Back Days for all medication.

## Opioid Awareness & Action

In America, 130 people die each day from opioid overdose and another 19.7 million have a substance use disorder. Kroger and our family of pharmacies are committed to raising awareness of the opioid epidemic and the importance of using medications safely. Our pharmacy associates provide support and resources for individuals and families dealing with addiction. We also offer the life-saving overdose reversal medication naloxone and the convenient at-home medication disposal solution, DisposeRx, at our 2,300 pharmacy locations across the country to help combat the crisis.

For several years, we have worked with Cardinal Health to sponsor community drug take-back events. These events, held twice a year, are part of the U.S. Drug Enforcement Administration's National Prescription Drug Take-Back Day. They provide a safe, convenient and anonymous way to dispose of unused or expired medications. During the event, Kroger pharmacy associates also provide

participants with educational resources around prescription drug misuse. In our most recent take-back day, we hosted 229 events across 26 states, collecting more than 25,000 pounds of unused or expired medication. Since expanding our efforts in April 2018, these events have removed over 32 tons of unwanted medication from households in the communities we serve.

## Prescription Drug Safety

Kroger expanded our partnership with EVERFI, an organization that develops social impact education, to provide additional classrooms and high school students with drug abuse prevention education through the Prescription Drug Safety Network. The digital program equips students with knowledge and skills to make safe and informed decisions about prescription medications.

Through interactive scenarios and self-guided activities, students learn the facts about drugs, how to properly use and dispose of them, and how to step in when faced with a situation involving misuse. The course is aligned with the Centers for Disease Control and Prevention's national health education standards and state academic standards.

Last year, 10 schools in Greater Cincinnati participated in the program's pilot. The training helped students increase their understanding of prescription drug topics by 49% on average based on pre- and post-assessments, with the most significant

impact in students' ability and confidence to support a friend who may be at risk for prescription drug misuse. During the 2018-2019 school year, we expanded the program's reach to 282 schools. In all, more than 18,000 students received this training through the Kroger-EVERFI partnership.

Areas that offer this EVERFI program include: Atlanta; Charlotte; Dallas; Greater Cincinnati and Northern Kentucky; Houston; Lansing, Mich.; Lexington & Louisville, Ky.; Memphis and Nashville, Tenn.; Phoenix; Nevada (statewide); Washington, D.C.; Northern Virginia; and Roanoke, Va.



Port Houston Elementary School students help design their Minitropolis.

## CIVIC ENGAGEMENT

Leaders across the Kroger family of companies work with our Corporate Affairs teams to engage elected officials as well as civic and trade organizations at the local, state and national levels. Our commitment to being a trusted community partner includes sharing updates about Kroger’s operations, our changing industry, and topics that are important to our company and our associates, customers and communities.

**[LEARN MORE IN OUR POLITICAL CONTRIBUTION POLICY AND 2018 POLITICAL CONTRIBUTION ANNUAL REPORT.](#)**

More information on Kroger’s External Initiatives and Membership of Associations is available in the [About Kroger](#) section.

Many of these engagements also focus on advancing our Zero Hunger | Zero Waste social impact plan to enable collective action. We have joined, hosted or sponsored several events in Kroger communities to bring community leaders together in a conversation around ending hunger.

Examples include:

- **Louisville:** Kroger hosted its first Zero Hunger Dinner to benefit Dare to Care Food Bank, bringing together partners and community leaders for a discussion about food insecurity and raising \$170,000. Kroger also supports the Commissioner’s Hunger Task Force, part of the Kentucky Department of Agriculture’s Hunger Initiative.

- **Nashville:** Kroger hosted two Hungry to Make a Difference dinners to advance the conversation with community leaders about Zero Hunger | Zero Waste.

- **Mid-Atlantic:** Our Real Estate and Corporate Affairs managers represented Kroger at Senator Mark Warner’s (D-Va.) roundtable discussion for the Healthy Food Access for All Americans Act. The discussion centered around better access to food in underserved communities.

- **Houston:** With Kroger’s support, Port Houston Elementary School continued its Minitropolis program. Students (above left) create ‘Dolphinville’ to mirror a fully-functioning community where kids are in charge and elect a mayor, city government and positions in banking, law enforcement, retail and other businesses.

Through the Salvation Army Red Kettle Campaign in 2018, Kroger directed more than **\$16 million** company-wide to the organization’s programs to feed individuals and families who struggle to put food on the table.

About  
Kroger

About This  
Report

Zero Hunger |  
Zero Waste

Our Customers &  
Communities

**Our People**

Talent Attraction  
& Retention

Associate Health  
& Safety

Our Planet

Our Products

GRI Index

2018 Awards



# Our People

We want Kroger to be a place customers love to shop and associates love to work. This is why we create working environments where associates feel encouraged and supported to be their best selves every day. There is no limit to what people can do and where you can go at the Kroger family of companies.

With nearly half a million associates serving more than nine million customers every day, we are in the people business. Our people are essential to our success, and we focus intentionally on attracting, developing and engaging a diverse workforce that represents the communities we serve.

Our Purpose is to Feed the Human Spirit™ by uplifting our customers, our associates and our communities.

# Highlights



**\$268M**

INVESTED IN STORE  
ASSOCIATE WAGES

**Retention**

RETENTION IMPROVED 32%  
IN RETAIL OPERATIONS

**\$2.9M**

IN FEED YOUR FUTURE  
TUITION ASSISTANCE

**453,000** associates across  
the country.



Associates are eligible for up  
to **\$21,000** for continuing  
education or development  
opportunities.

**51%**

OF KROGER'S RETAIL  
WORKFORCE IS FEMALE

**\$85M**

IN EXCLUSIVE  
ASSOCIATE DISCOUNTS

**2,600**

**ASSOCIATES** RECEIVED  
HELPING HANDS FUND GRANTS

## Careers with Promise

TWO-THIRDS OF KROGER LEADERS STARTED THEIR  
CAREERS AS STORE ASSOCIATES



Our Promise is what helps  
all Kroger associates live  
**Our Purpose.**



## OUR PURPOSE AND PROMISE

Every day, customers look to Kroger for fresh food and a memorable experience. Our people respond by living Our Purpose – to Feed the Human Spirit™ – and approaching every interaction with Our Promise of Everyone Friendly & Caring, Everything Fresh, Uplift Every Way and Improve Every Day.

Our Purpose is part of who we have always been – an organization committed to having a positive impact on people’s lives. We will strengthen our emotional connection with our associates, our customers and the communities we serve, which will in turn drive business results.

Our Promise helps all Kroger associates live Our Purpose. It’s a simple framework that shows us how to provide great service to our customers and to each other.

As we move beyond the initial teaching and communication of Our Purpose and Promise, we are turning our attention to integration and sustainment and looking to our leaders to take ownership of the associate experience. We believe it’s the job of our leaders to uplift our associates, so they can uplift our customers.

## Our Promise Teams

Our Promise Teams play an important role in shaping our culture and creating experiences that are helping to make Kroger a great place to work and shop. These teams are associate-led and leader-supported in our stores, distribution centers, manufacturing plants and offices. Using data and insights, they encourage behaviors that bring Our Purpose and Promise to life.

## Our Fresh New Look

In the first quarter of 2019, we introduced a new uniform – a simple apron – in all of our divisions. The apron is a symbol of service that also has several visual reminders of who we are. Our heart, which represents the unique layers of our culture, is embroidered on the front. A special ribbon stitched into the seam closest to our hearts serves as an additional reminder of Our Purpose and Promise.

We also recommended that all retail divisions encourage associates to come to work dressed as their best selves to show off their unique style – making life a little easier and a little more fun.



## OUR PEOPLE

# Talent Attraction & Retention

To deliver on *Restock Kroger*, we need the right people in the right roles at the right time. That's why we offer competitive benefits and pay in all our stores, distribution centers, manufacturing plants, technology hubs and corporate offices. We help associates build Careers with Promise by nurturing and developing skills that support them in their current roles and also prepare them to take the next step in their career.

In 2018, we introduced a new recruiting message: Careers with Promise. From division to division, store to store, Careers with Promise shows candidates that the Kroger family of companies is a place where they can grow. This also gives us the opportunity to introduce Our Purpose and Promise to future associates before they begin their career journey.

GR 103-1, 103-2, 103-3

## HUMAN CAPITAL MANAGEMENT

How well we attract and retain talent affects associates in our supermarkets, distribution and fulfillment centers, manufacturing plants, technology centers and offices across the U.S. It also affects the customers and communities we serve.

Our Human Resources (HR) and Labor Relations team is responsible for managing talent attraction and retention and related policies and practices. We measure performance in this area by tracking several key metrics, including hiring, training, promotions, retention, diversity and associate engagement. We publicly disclose some of this information; however, we use many additional measures internally to guide our management decisions.

HR teams oversee the process for recruiting and developing associates at every level. HR leaders in each operating unit – Retail Operations, Manufacturing and Supply Chain – manage local recruiting touchpoints to help meet relevant business needs, direct interview processes, onboard and train associates, and manage HR administrative processes.



## Recruiting Tech Talent

As the Kroger family of companies evolves to meet the needs of our customers, we are also changing the way we recruit. Our partnership with Ocado and merger with Home Chef are good examples. As we build new fulfillment centers and expand our digital capabilities, we need engineers and digital gurus in addition to the more traditional roles we offer. Recruiting technology and digital talent is essential to our continued success and innovation.

In 2018, Kroger Technology in Blue Ash, Ohio, was named to *Computerworld's* 100 Best Places to Work in IT list. We continue to work with the Cincinnati USA Regional Chamber of Commerce to position Cincinnati as a tech destination – for businesses and talent.

## Investing in Our Associates

In addition to job creation, Kroger committed to invest an incremental \$500 million in associate wages, training and development as part of *Restock Kroger*.

In early 2018, Kroger associates in Cincinnati, for example, ratified a labor agreement with UFCW Local 75 that set the stage for starting wage and overall wage increases in multiple markets across the country. The agreement raised starting wages to at least \$10 per hour, and accelerated wage progressions to \$11 an hour after one year of service for associates in the Cincinnati/Dayton Division. We intend to pay competitively and offer benefits and perks that our associates highly value and find relevant to their lives and needs, which helps us attract and retain great associates.

In late 2017, we set out to improve retention in the Kroger family of companies. While we were below the industry average, there was work to do to improve the associate experience and make Kroger a place where associates love to work and want to stay. By the end of 2018, we improved our supermarket retention by 32% by:

- More effectively integrating new hires into their teams during Day 1 and the following 90 days
- Regular check-ins with managers for new hires
- Giving managers tools to help re-engage associates at risk for leaving
- Implementing processes to identify best-fit candidates and improve their experience

## A Bright Future

One of the key drivers of *Restock Kroger* is *Develop Talent*. Our success requires the talent, experience and leadership of high-performing teams who understand the importance of the mission and are committed to shared positive outcomes. We offer countless opportunities and paths to a bright future. During the past decade, Kroger has added 100,000 new jobs in communities across America.

In addition to fueling the U.S. economy, many supermarket roles offer opportunities to learn new skills, grow and advance careers – inside or outside our family of companies. More than 90% of these new jobs are in our supermarket divisions, ranging from full-time department heads and assistant store managers to part-time courtesy clerks and cashiers.



## OUR LEADERSHIP MODEL

We believe great leaders power the associate experience and, in turn, the customer experience. This is why we encourage our associates to lead with a Passion for People and a Passion for Results.

Our Kroger Leadership Model emphasizes the importance of how we achieve results by identifying eight behaviors that deliver them. The Leadership Model and its eight behaviors apply to all associates, not only leaders of others, because we all can influence each other and affect results.

This year, we more clearly defined the Kroger Leadership Model to make it more relevant for all roles – from department leaders to executives. Now the eight behaviors offer specific examples for how each associate can achieve results, and what good and great performance looks like in each role. This clarity is another way we support Careers with Promise.

## TRAINING & DEVELOPMENT

Well-trained, engaged and productive leaders and associates are essential for Our Promise to improve every day. In 2018, we updated our Leadership Essentials curriculum to allocate training more efficiently, which helps develop leaders who are productive, prepared and confident – more quickly than ever before. The updated program includes:

- Content aligned with current business initiatives
- More structured, focused and meaningful in-store training
- One-on-one training with department leaders
- Structured reports to store managers that are associate-driven
- Content for Our Promise and roles and responsibilities

We enhanced the recruiting, onboarding and training experiences for new hires to foster meaningful relationships from their very first experiences with Kroger. So far, a few hundred stores have piloted this approach, improving retention and reducing onboarding time in all cases. Now, new hires receive a text and phone call welcoming them to Kroger and preparing them for their first day.

On day one, new hires are greeted with a welcome gift and behind-the-scenes tour, which includes interactive videos and discussions with department leaders and store managers. Updated role-based training helps new hires contribute more quickly. During the first 90 days, new associates have several check-ins with their manager to cultivate interests or address concerns early.

## CONTINUOUS HIGH PERFORMANCE AND DEVELOPMENT

To support high-performing leaders and teams, we continue to emphasize the importance of setting clear and aligned objectives, providing supportive and uplifting feedback, and having ongoing performance and development conversations. These touchpoints emphasize the importance of ‘what’ needs to be accomplished as well as ‘how’ to achieve results through, and with, others.

Our rigorous talent review process helps identify and develop talent throughout the organization, as well as identify where we have external talent needs. In 2018, we focused on leadership continuity, with a minimum of 18 to 24 months in role for district-level leaders and above.

from new-hire associate to store leader, and 2) leadership development from department leader to executive. Leadership training focuses on developing leaders with strong business acumen who consistently perform at a high level and effectively coach, teach and train others.

We also offer Kroger University, a comprehensive training and leadership development curriculum with two different levels: 1) skill-based training by role

## **BENEFITS & REWARDS**

### **Company-sponsored Health Care Plan**

We provide high quality, competitive benefits for Kroger family of companies associates. While a number of benefits and perks extend to all associates, our company-sponsored health care plan offers coverage to approximately 90,000 associates – part-time and full-time management staff, as well as non-union hourly associates and some select union groups. For hourly associates, eligibility requirements for the company-sponsored health care plan vary by division and location; generally, part-time associates are eligible if they work an average of 30 hours or more per week.

We offer a comprehensive and competitive Total Rewards package to eligible associates, including:

- The choice of four different health care plans, including HSAs and a PPO
- Dental and Vision plans
- Income Protection such as voluntary Life Insurance, Dependent Life Insurance and Long-Term Disability Insurance
- Auto/Home Insurance
- Group Legal Insurance
- Adoption Reimbursement up to \$6,000 per child
- Paid Parental Leave

### **Financial Well-being**

To help our associates plan for their future, we generally offer a 401(k) RSA Plan to all non-union associates (union associates are generally eligible for a pension plan). When an associate is 21 years old and has completed 90 days of service, he or she may generally join the plan and start contributing the first day of the following month. After one year of service and 1,000 hours worked, Kroger matches contributions dollar for dollar up to 5%. Eligible associates also receive an annual automatic contribution – generally 1% of eligible pay, which increases to 2% after five years of service.

In 2018, we also introduced a new Roth 401(k) option to give our associates more financial flexibility so they can be 'fiscally fit.' The Roth 401(k) allows associates to make post-tax contributions but take tax-free qualified distributions.

Additionally, associates are eligible to participate in the Kroger Stock Exchange, which is Kroger's Stock Purchase Plan. Through this plan, associates may deduct money directly from their paycheck toward the purchase of Kroger stock, and they are not responsible for commissions or fees to purchase or sell shares.

### **Work/Life**

Certain associates are eligible for Paid Parental Leave and Short-Term Disability. With Paid Parental Leave, fathers or mothers receive up to two weeks of paid leave after the birth or adoption of a child (in addition to our standard short-term disability plan for mothers of 6 to 8 weeks, depending on delivery). This benefit is available to salaried management and administrative associates as well as assistant store managers and store leaders with one year of service.

Short-Term Disability is also available for salaried management and administrative associates, as well as non-union hourly associates.



GRI 401-2

## INVESTING IN OUR PEOPLE

We care about our associates' overall well-being – physical, financial and emotional. We offer associates a number of important benefits to help them save money, continue their education, take care of themselves and their families, and more.

On April 16, 2018, we announced a number of new and enhanced long-term associate benefits, made possible by the savings from the Tax Cuts and Jobs Act. Here's how we've invested in our associates in the first year of these new benefits – because our commitment is more than just a one-time award. It's an investment in their future.

### Feed Your Future

Our industry-leading continuing education benefit offers up to \$3,500 annually (and up to \$21,000 over the course of an associate's Kroger career) to improve every day through education. All part-time and full-time associates are eligible after six months of service.

In its first year:

\$2.9 million awarded in Feed Your Future tuition reimbursement

2,290 associates have received funds

81% are hourly associates

### Higher Wages for Store Associates

We used savings from Tax Reform to accelerate our previously announced \$500 million investment in associates as part of *Restock Kroger*. So far, we've invested \$268 million in wages for our associates.

*"We care about our associates' growth and development, and we believe investing in education will support and encourage lifelong learning and reinforce our 'come for a job, stay for a career' opportunity culture."*

#### Rodney McMullen

Chairman and Chief Executive Officer  
The Kroger Co.



SPOTLIGHT

## HELPING HANDS

When times get tough and the unexpected happens, the Kroger Helping Hands Fund is there for our associates. Last year, we directed additional funding to Helping Hands and simplified the application process. We provided \$2.4 million in financial assistance to more than 2,600 associates through Helping Hands in 2018, a 41% increase from the prior year. This includes assistance to associates affected by natural disasters, including hurricanes, floods and wildfires.

Helping Hands provides financial assistance to associates who are experiencing financial hardships due to an unexpected or emergency situation. As part of the investments in our associates after the Tax Cuts and Jobs Act, we increased our annual contribution to the Helping Hands Fund to \$5 million.

We also updated the Helping Hands Fund program last year, making it easier for associates to submit a request and receive help quickly. This included streamlining the application process and creating consistent eligibility, approval and funding guidelines, based on three tiers of assistance. As a result, we can now direct bigger grants and more meaningful help during a difficult time.

Since 2005, Kroger has directed more than \$16.2 million in gifts to help associates facing hardship through this program.

## Associate Discounts

We made our Associate Discount program more consistent throughout the Kroger family of companies and available across all supermarket banners. In 2018, these discounts saved associates more than \$85 million, an increase of nearly \$33 million compared to the previous year. These exclusive discounts helped our associates save:

**\$47 million on *Our Brands* purchases**

WITH A 10% DISCOUNT

**\$11.5 million on apparel**

WITH A 20% DISCOUNT

**\$24 million on home goods**

WITH A 15% DISCOUNT

**\$3 million on electronics**

WITH A 10% DISCOUNT

## 401(k) RSA Plan Matching Contributions

We increased the company match for eligible participants in the 401(k) Retirement Savings Account (RSA) Plan from 4% to 5% of pay. When an associate contributes up to 5%, the Kroger family of companies matches it dollar for dollar. In 2018, this added a \$35 million investment in our associates' savings.

## Additional Benefits

- **Kroger Scholars:** Further supporting education is Kroger Scholars, a passion-based scholarship program that helps children of eligible associates achieve their dreams of higher education. In 2018, we aligned Kroger Scholars with our Zero Hunger | Zero Waste social impact plan. We awarded scholarships based on a range of criteria, including a statement of goals and aspirations, community service to help end hunger and waste, scholastic performance and extra-curricular activities. The result: In 2018, The Kroger Co. Foundation awarded 140 scholarships of \$2,500 each to students who make a difference in their community. Since 2008, we have directed more than \$3.5 million to support students through Kroger Scholars.
- **Well-Being Assistant:** We offer a free and confidential service to help connect associates to the resources needed to be their best. Associates and dependents living in the same household can access this service 24 hours a day, seven days a week. The Well-Being Assistant can help with stress management, relationship problems, anxiety, parenting concerns, caring for an aging parent, drug and alcohol issues, grief, finding childcare and more.
- **Third-Party Discounts:** We also partner with third-party vendors to offer additional discounts to our associates, including savings on education, automobiles, travel, computer software, cellphones and wireless plans, entertainment and more. In the first three months of 2019, associates received more than \$395,000 in third-party discounts.



## DIVERSITY & INCLUSION

Diversity and inclusion have been among Kroger's Values for decades. We are committed to fostering an environment of inclusion in the workplace, where diversity of cultures and opinions is valued and appreciated. Kroger's corporate team and retail divisions have strategic partnerships with universities, educational institutions and community partners to improve how we attract candidates from all backgrounds and ethnicities for jobs at all levels.

The Kroger family of companies provides inclusion training to all management and many hourly associates. Most work locations (stores, plants, distribution centers and offices) have an inclusion-focused team, called a Cultural Council or Our Promise team. The teams work on projects that reflect Kroger's Values, offer leaders valuable feedback and suggestions on improving diversity, and facilitate communication to champion business priorities.

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

their advancement potential within the company. Career development plans for women and people of color are reviewed annually by our senior management team as part of Kroger's successor planning. Managers and department heads review and report regularly on the recruitment and promotion of women and people of color.

Kroger was ranked #33 in The Top 100 Innovators in Diversity & Inclusion in 2017 by *Mogul*, an award-winning news and social media platform. In 2019, we were ranked #13 on the Top 50 organizations for Multicultural Business Opportunities by Omnikal.

## Embracing Our Differences

We believe diversity strengthens our business, and we want our teams to reflect the communities we serve. We need people from all backgrounds – with different experiences and expertise – to make sure we have the products our customers want and meet different needs for anything, anytime, anywhere.

We invest in associates of different ethnicities and cultures because we value them and want them to grow with us. We provide opportunities for people of color across our corporate offices, retail stores, plants, DCs and other facilities. Our goal is to reflect the neighborhoods in which we operate and offer employment opportunities at all levels, from corporate and facility leadership to hourly associates. In our communities, we offer pathways to employment for people of all ethnicities and ages, with full- and

part-time jobs that help develop skills and provide opportunities for advancement.

In 2018, Kroger was the title sponsor at an Inclusive Capitalism event hosted by The Child Poverty Collaborative in Cincinnati. Inclusive capitalism is a global effort to engage leaders across business, government and civil society in the movement to make capitalism more equitable, sustainable and inclusive.



*When Evelyn Alvarez walked into her Heavy Equipment class at Arizona State University, she was one of three women in the class of 175. In 2010, she joined the construction group at Fry's Food Stores. Within a few weeks, she was convinced it was the place for her. Today, she is building Fry's stores and mentoring other Latina women to be successful in the workplace.*

## Opportunities for Women

More than half of our associates are women, and we encourage and celebrate their achievements at work and elsewhere. We support the development of women for roles throughout our family of companies, including STEM, retail operations, manufacturing, supply chain, human resources and other corporate functions.

In March, Kroger marks International Women's Day by illuminating our headquarters building in downtown Cincinnati. This year, the lights created the Venus symbol, showing our commitment to lift up women in the workplace.

Across our organization, we also highlight women who can share their personal stories and career journeys as inspiration for others. Visit [KrogerStories.com](https://www.kroger.com/krogerstories) to read about women and many other associates leading change and making a difference. Examples include Evelyn Alvarez at Fry's Food Stores (left) and Lisa Black at our Ralphs Division, based in Los Angeles. Lisa has worked as a professional driver for Ralphs for 28 years. [Learn more](#) about Lisa's story.

## Our Top Women

Every year, *Progressive Grocer* magazine recognizes top women leaders in the retail food industry. Top Women in Grocery nominees must demonstrate above-and-beyond achievements and are nominated in one of three categories: Senior-Level Executives, Rising Stars and Store Managers. In 2018, more than 150 Kroger women were nominated, and 58 were honored as Top Women in Grocery. These women, and the 382 other Kroger associates who have been honored over the years, provide perspective and expertise that help us lead an ever-changing industry.

## Women in Our Supply Chain

Kroger's global supply chain is powered by women at all levels. We partner with a growing number of nearly 500 women-owned businesses in the U.S. In 2019, we were recognized as one of America's Top Corporations for Women's Business Enterprises by the Women's Business Enterprise National Council (WBENC). We also source products from women-owned cooperatives and international businesses like the Sorwathe Tea Estate in Rwanda, which produces Fair Trade Certified™ products like Simple Truth® Organic Chai and Simple Truth® Earl Grey Black Tea.

[LEARN MORE.](#)



## CEI 100

In 2019, Kroger earned a perfect score of 100 on the 2019 Corporate Equality Index (CEI), the Human Rights Campaign Foundation’s national benchmarking tool for corporate policies and practices supporting lesbian, gay, bisexual, transgender and queer (LGBTQ) associates. The CEI is sponsored by the Human Rights Campaign and rates companies based on employment policies related to LGBTQ associates. With this perfect score, Kroger is designated as a Best Place to Work for LGBTQ Equality.

We join events across the country to celebrate LGBTQ associates and others in our communities who show their pride, such as the Cincinnati Pride Parade and Festival.

## Opportunities for People with Disabilities

The Kroger family of companies has long offered employment opportunities to people with developmental disabilities. This practice started at one store in Cincinnati and then spread as other store managers heard about it and wanted to get involved. Decades later, Kroger has hired thousands of people with disabilities throughout our family of companies.

Our commitment to hiring workers with disabilities embraces the differences among us and enriches our workplace. Leaders in Kroger’s Cincinnati Division work with Living Arrangements for the Developmentally Disabled (LADD), which helps identify and match adult candidates for positions in our retail stores. Funding for LADD is through Opportunities for Ohioans with Disabilities, which has recognized Kroger as an Employer Partner of Inclusion for the past five years.

In Kansas, Cashier Bradlee Henderson shines at Dillons store #10 in Hutchinson. He is an outstanding associate and brings professionalism and pride to his work. Outside of the store, Brad is a swimmer and competed in the 2018 Special Olympics, placing third in the Men’s 200 Freestyle event.

## New Beginnings

In 2017, Kroger introduced a program to lift up people who have been convicted of non-violent crimes through the dignity of work. This program, called New Beginnings, helps build a qualified pool of job candidates, strengthens relationships in our communities, and offers paths to employment for people who may struggle to find work. The program is completely confidential, and associates’ backgrounds are kept private. Since the program began, we have hired 40 people, and we have a 97% retention rate.

*“Kroger has worked to create a more inclusive work environment where every associate can be their best self every day, and the CEI recognition reinforces our commitment. It is also a testament to the thoughtful insight provided by our LGBTQ associates and allies, who have shown us what we do well and where we can improve.”*

### Tim Massa

Senior Vice President  
Human Resources & Labor Relations



## SUPPLIER INCLUSION

The Kroger family of companies takes a deliberate approach to supplier inclusion. Minority- and women-owned business enterprises (MBEs and WBEs) and other diverse businesses provide products, services and perspectives that align with our strategies and help us better understand our customers' needs and trends in the marketplace. We value our business relationships with these M/WBEs because they contribute to the local economy and community, and their products and services are often unique and popular among customers.

[FOR MORE DETAILS ABOUT OUR COMMITMENT TO SUPPLIER DIVERSITY, PLEASE VISIT THE PRODUCTS SECTION.](#)

Kroger first introduced ARGs to help connect associates with others who share common beliefs and promote networking and teamwork.

## ASSOCIATE RESOURCE GROUPS

Kroger encourages and sponsors several Associate Resource Groups (ARGs), or affinity groups. Associates can participate in any ARG to connect with others, share experiences and grow personally and professionally. Our ARGs also help our business by developing policies, giving feedback on products and creating an inclusive and welcoming environment for our people.

Here are just a few of the ways our ARGs make a difference:

- The **African-American ARG** offers opportunities for African-American associates' professional development, career management, continuing education, networking, mentoring, information sharing and community involvement.
- The **Asian ARG** fosters and strengthens Asian associates' development to enrich diversity, increase cultural awareness and support the company's growth.
- The **Disabilities Resource Care ARG** offers support and resources for associates who are disabled or who serve as caregivers for people with disabilities.
- **Hispanic & Latino ARG** (KEPASA) members build awareness about the Hispanic and Latino culture while providing career and leadership development for our associates.
- The **Parents ARG** offers a support network and resources for working parents. This group led the development of health and wellness rooms at Kroger's corporate office and produced an Associate Guide for New Parents.
- **Kroger PRIDE** promotes a supportive environment for LGBTQ associates and their allies to network with one another and develop professionally. ARG members provided guidance and support as the company introduced transgender benefits for associates.
- **Wellness ARG** members work with our HR team to enhance the lives of the associates and communities we serve.
- The **Women's EDGE ARG** and local chapters partner with colleges across the country to provide networking opportunities for women.
- **Veterans ARG** members help recruit and retain current and former service members and support the growth of the business.
- Our **Young Professionals ARG** helps attract, retain and support young professionals in their development as future leaders.



OUR PEOPLE

# Associate Health & Safety

GRI 103-1, 103-2, 103-3, 403-2

## HOW WE MANAGE HEALTH & SAFETY

Safety is one of our core Values. Protecting the health and safety of our valued associates across our operations is essential to serving more than 9 million customers every day. We accomplish this by providing proper safety training and equipment, safe working conditions and access to resources to maintain and improve associates' well-being. We rely on several policies to ensure compliance with relevant Occupational Safety & Health Administration (OSHA) requirements, including but not limited to:

Hazard Communications Plan

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Bloodborne Pathogens

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Process Safety Management (PSM)

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Powered Industrial Truck

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Emergency Evacuation

---

Hearing Conservation

---

Lockout/Tagout

---

Personal Protective Equipment

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SPOTLIGHT

## SAFETY LEADERSHIP IN OUR FOODS CO DIVISION

At Foods Co. store #784 in Fresno, Calif., associate safety isn't just a company imperative – it's a point of pride.

Thanks to the diligence and attention to safety of its associates, the store has been accident free for over 1,300 days as of May 2019. Kroger stores track accident-free metrics in each department – like Produce, Meat, Deli and Bakery – as well as a general, overall store metric.

Assistant Store Manager Michael Her indicates that part of this success is due to consistent education and reminders about the importance of safety at work. Safety practices are owned by each department head. In addition, the store management team reiterates safety during all departments walk-throughs and during weekly Monday morning huddles.

And just as importantly, store associates keep each other accountable. They challenge each other and remind one another to stay safe while working. Michael notes, "Another key motivation is the accident-free numbers that we've achieved to date. No wants to be the person who accidentally breaks the streak!"

## EFFECTIVE REQUIREMENTS & PROCESSES

We have multiple requirements and processes to prevent, review and address safety concerns. Through clear expectations, routine monitoring and regular communication and engagement, we reduce the number of injuries and accidents that happen in our workplaces.

**Department-specific safety requirements:** We use detailed lists of expected safe work behaviors that are tailored to each store department's job task and type of personal protective equipment to be used. Each associate is accountable to follow these safety requirements when working in their department.

**Safety teams:** On-site safety teams meet routinely to review recent injuries, behavior-based observations and audit results, and to resolve issues.

**Regular associate training and education:** We incorporate training on injury prevention topics during regular associate meetings, and enforce these through communications in shared areas. In our stores, managers review a new injury prevention topic every period during store huddles and reinforce it during peer-to-peer behavior-based observations. Our stores conduct 100 to 300 observations each period.

**Root cause injury analysis and corrective action:** All injury events, no matter how minor, are reviewed with the associates involved to determine the root cause and take corrective action to prevent future injury events from occurring.

**Observations:** These are one of the most important elements of our safety programs. The goal of making observations is to reinforce safe behavior in our facilities and coach associates who are not working safely. Observations also help us track the effectiveness of our efforts so we can make ongoing improvements to our safety programs.

In our retail operations, our Safety initiative is called STAR (Stores Targeting Accident Reduction) Safety

360. Our store STAR teams plan special events to bring increased attention to the importance of health and safety in our business.

Each store conducts three safety events a year, spaced throughout the year, to keep safety top of mind for our associates.

1. We kick off the year with a STAR event to reintroduce the STAR Safety 360 program.
2. Mid-year, we align with National Safety Month.
3. Later in the year, we focus on slip-and-fall prevention.

Between events, we have daily focus topics on injury prevention processes and tools, and department huddles and awareness activities reinforce safe work behaviors. Topics included personal protective equipment, spill clean-up, Code Adam processes, knife safety, lifting and ergonomics, and others.

In Manufacturing, we use the behavioral safety observation process licensed through Dekra Insights, Inc. In addition, we have implemented a client service relationship with Safety In Motion, Inc., which helps us train and coach associates on how to use better body mechanics to help reduce soft tissue injuries.

Every two to three years, Kroger Manufacturing hosts an internal Safety Conference, where three to four associates from each plant come together to share best practices and receive additional training on relevant safety topics. Kroger's corporate Manufacturing team also produces a quarterly safety newsletter for all plants, with articles submitted and shared by safety teams to improve safety awareness among associates.



## MANAGEMENT AT ALL LEVELS

Managing health and safety is critical to our business success. Each part of our business – Retail Operations, Manufacturing and Supply Chain – has its own management structure to help minimize incidents in its operations. Through leadership at multiple levels and on-site management, we help protect our associates’ well-being. We recognize the value of collaboration in meeting our goal of continuous safety improvement.

### Retail

Each retail division has a dedicated division safety manager who is accountable to his or her retail division leadership team. We have district (within a division) STAR Safety 360 teams, comprised of managers who meet regularly to review injury and accident reports. And each store has a STAR Safety Team that drives associate awareness and engagement in safety programs and executes on our health and safety goals in our stores. These teams are comprised of associates (80%) and managers (20%).

### Manufacturing

One associate in every Kroger Manufacturing facility is dedicated to promoting associate safety on a

full-time basis. In most cases, our plants have two full-time associates leading the safety process, one focusing on OSHA compliance safety and one devoted to behavioral safety.

### Supply Chain

The Supply Chain behavior-based safety program, called Behavior Risk Improvement, is a floor associate-run program supported by distribution center management and supervisors. Each department and shift has core teams made up of floor associates who perform pinpoint observations and offer feedback on these observations every day. This program is highly successful in reducing injuries with peer-to-peer feedback.

## 2018 OSHA Injury Rates

METRIC	ASSOCIATES
Injury Rate (OSHA Injuries/100 FTE) <sup>1</sup>	3.53
Lost Day Rate (OSHA injuries (DART)/100 FTE) <sup>2</sup>	2.67
Work-related fatalities	1

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.

## DATA TRACKING AND MONITORING

Kroger tracks and monitors health and safety metrics and data for all business operations – Retail Operations, Manufacturing and Supply Chain – centrally to allow for an enterprise-wide view into issues, trends and opportunities. We track associate injury metrics like total injuries, OSHA injury rates, and lost-time injuries, as well as customer injury metrics like slip-and-fall injuries. We also track the completion of required training for associates. We capture, summarize and share these metrics on a regular cadence with leaders and other relevant team members, and break down the data by sites, divisions and other operating groups to best inform management of health and safety performance.

For all associates and contractors, we work to minimize injury rates and other health and safety issues. The top five OSHA injuries that we track are muscle strain, contusions, lacerations, ligament sprains and fractures. We do not have visibility into the types of injuries tracked by our third-party service providers.

Performance for 2018 on the key metrics tracked and reported are listed to the left. Our health and safety team does not currently track occupational disease rates or absentee rates on a regular basis. The occupational disease rate is so low that consistent measurement and tracking is not meaningful. We do not report health and safety metrics by gender.



## **COMMITMENT TO CONTINUOUS IMPROVEMENT**

At Kroger, our ultimate goal is zero accidents in the workplace. Our Health & Safety teams in each part of the business use annual goals tailored to their part of the business to drive their performance towards this zero accidents goal and to help protect the well-being of our associates and customers. These goals are intended to improve performance year over year (continuous improvement), or to ensure we are hitting a certain threshold for health and safety performance. They focus on injury events for associates, for customers, and for reporting frequency.

We evaluate our management approach effectiveness in several ways, including quarterly reviews in each division that bring together the vice president of Retail Operations, the division Retail Operations manager, the division Safety manager, and all district Operations managers to review their safety measures and data, discuss opportunities for improvement and commit to action plans for the next quarter.

Through our Focus Store Program, each division identifies 10 stores with opportunities to improve safety performance. They conduct a Safety Culture Assessment to identify ways to coach, teach and train the store's STAR Safety Team to improve engagement and safety performance.

We also invest in technologies and assets to support our safety objectives. We are developing an enhanced safety management system that will merge existing processes and tracking tools. This system will streamline, simplify and strengthen the execution of these programs for the entire enterprise, including auditing oversight and corrective action management.

We also benchmark our data and performance – specifically our supermarket OSHA Injury Rate/100 FTE – to the OSHA injury rates published by the Bureau of Labor Statistics (BLS) from their annual employer survey of non-fatal work-related injuries and illnesses. We also contribute Kroger data to the OSHA survey to ensure we are reflected in the findings.

This gives us helpful insight to how we compare against the industry to ensure we continue to improve. The supermarket OSHA Injury Rate/100 FTE has been below this BLS benchmark for the last 20 years and has been at or near 20% favorable (23% favorable in the last year) to this BLS benchmark during that timeframe.

And finally, we seek the input of our associates. As active members of our health and safety programs, they are encouraged to bring feedback, including any concerns, to their division Safety Manager. All associates can also raise or report any concerns or problems at any time through the anonymous Kroger Helpline.



About  
Kroger

About This  
Report

Zero Hunger |  
Zero Waste

Our Customers &  
Communities

Our People

## Our Planet

Zero Waste

Food Waste

Energy & Emissions

Water

Our Products

GRI Index

2018 Awards

# Our Planet

Our customers, associates and stakeholders want us to engage in our communities, reduce our impacts on the environment and continue to create positive economic value over the long term. Our group vice president of Corporate Affairs reports to Kroger's Chairman and CEO and provides regular updates to the Public Responsibilities Committee of the Kroger Co.'s Board of Directors.

Our environmental sustainability efforts are led by our Sustainability Team, located in the Corporate Affairs department, in partnership with many valued business leaders across the company.

The Kroger family of companies aims to eliminate waste and increase efficiency across our company, source responsibly in our supply chain and help our customers make sustainable choices.

# Highlights



## 1.48B+

**MORE THAN 1.48 BILLION POUNDS**  
RECYCLED CORRUGATED CARDBOARD

## 2,039

**2,039 STORES** HAVE ADOPTED FOOD  
WASTE RECYCLING PROGRAMS

## 52.2M

**NEARLY 52.2 MILLION POUNDS OF**  
PLASTIC RECYCLED IN OUR OPERATIONS

## 39.7%

**DIVERTED 39.7% OF FOOD WASTE IN**  
OUR STORES FROM LANDFILL



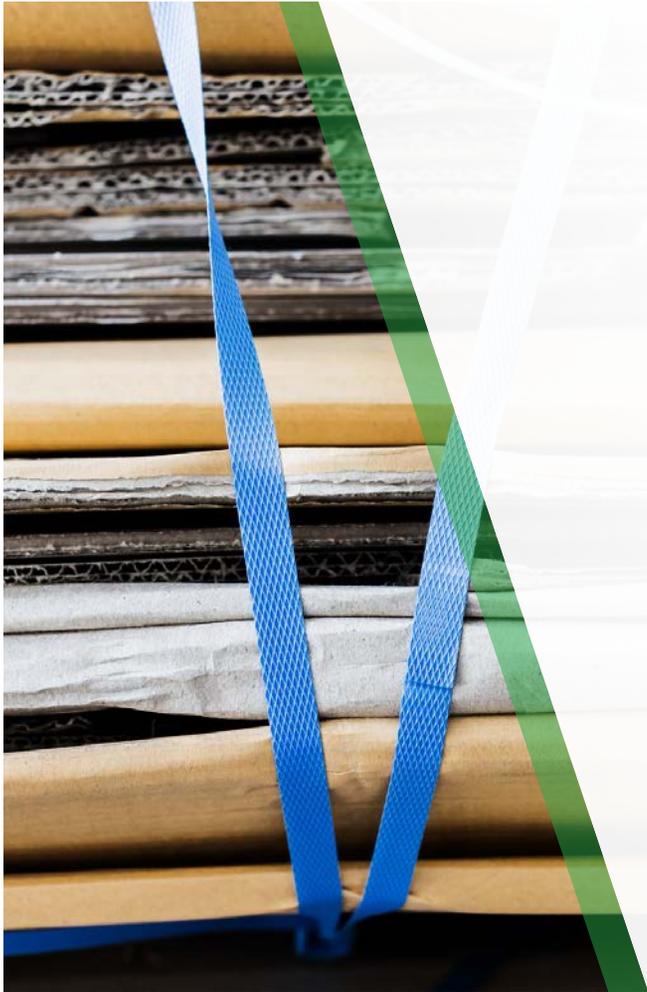
**NAMED A 2019 U.S. EPA ENERGY STAR**  
**PARTNER OF THE YEAR**

## 44.9%

**ACHIEVED A 44.9% SAVINGS** IN ELECTRICITY  
IN OUR SUPERMARKETS COMPARED TO OUR  
2000 BASELINE YEAR

Committed to phase out  
single-use plastic bags in  
our stores by **2025.**

**Launched largest Kroger  
solar panel installation**  
at Paramount Distribution  
Center in California.



PLANET

# Zero Waste

 2019  
SUSTAINABILITY  
REPORT

Given the scope and scale of what we do as a grocery retailer and manufacturer, we recognize that waste generation is a material impact for our business. We also recognize the responsibility and opportunity to reduce waste where we can and to recover the rest for recycling. The topic of waste is important to many of our stakeholders, with strong interest from our own associates, customers, investors and environmental groups.

We have ambitious targets to become a 'zero waste' company by 2020, and to achieve zero food waste by 2025. Our primary objective is to divert as least 90% of waste away from landfill, and our secondary objective is to move waste up the waste management hierarchy toward better end uses, such as recycling and composting. In 2018, we achieved a diversion rate of 76%, which represents 2 million tons of waste that we kept out of landfills.

Our zero waste commitments are guided by our Corporate Affairs department and implemented in partnership with business leaders and associates across our facilities.

We also rely on our external stakeholders to make this happen – from our recycling and trash haulers to our national partner organizations like World Wildlife Fund, ReFED and Feeding America.

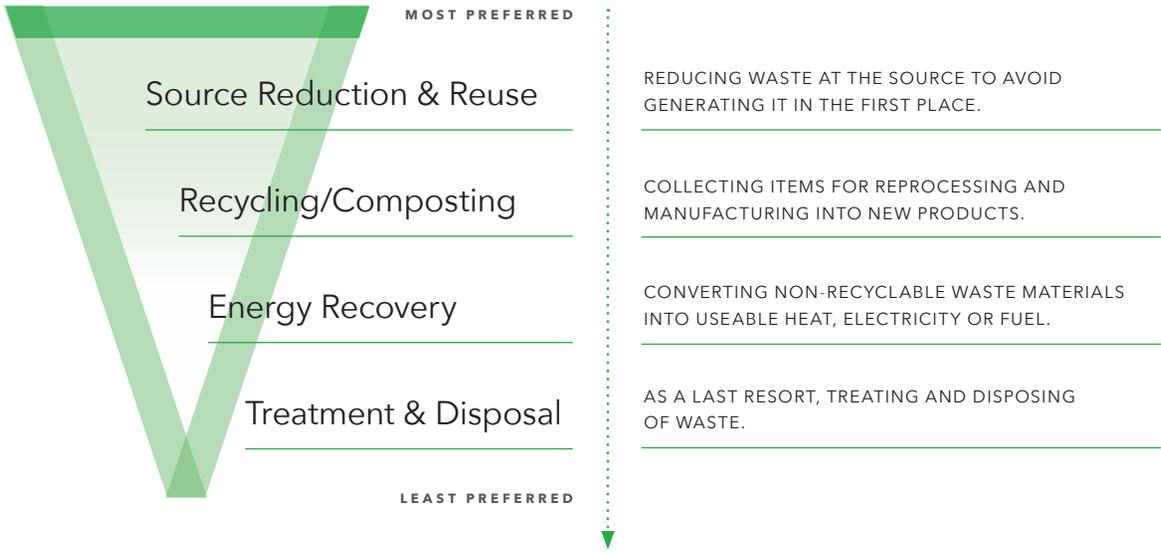
**HOW WE PRIORITIZE WASTE MANAGEMENT**

We use the U.S. EPA's Waste Management Hierarchy to guide our work. Our aim is to move our waste management up the hierarchy as much as possible, to adopt source reduction, reuse and recycling – in that order – before resorting to landfill. Goal-setting, awareness building, driving improved execution and new programs, as well as tracking and reporting, all help us achieve this.

**WASTE TRACKING AND REPORTING**

Tracking, synthesizing and analyzing our waste management data is critical to making progress on our zero waste goals. Kroger joined the nationally recognized EPA WasteWise Program several years ago, and we use their reporting tool to measure and track our progress in a consistent way over time. Kroger was once again named an EPA Region 5 WasteWise Award winner in 2018.

WASTE MANAGEMENT METHOD	WEIGHT (SHORT TONS)
Waste Reduction	128,000
Food Donation	61,800
Animal Feed	101,500
Composting	15,965
Recycling	1,681,400
Anaerobic Digestion	62,600
Waste-to-Energy	32,400
Landfill	625,300
<b>Total</b>	<b>2,708,965</b>



**REDUCING WASTE THROUGH RESCUE AND REUSE**

As reflected in the waste management hierarchy, our first imperative is to reduce waste before it's created in the first place. We also want to find ways to adopt reuse models, so that we are reducing the amount of new materials needed and reducing the associated environmental footprint. We have several initiatives in place that help us achieve this goal and continue to seek out new ways.

1. Waste disposal is managed by and reported to Kroger by our different waste and recycling haulers.  
 2. Waste data excludes office locations and salvage centers. Data reflects calendar year 2018.



## Zero Hunger | Zero Waste Food Rescue Program

Our Food Rescue program is a perfect example of how we're reducing waste. First, we aim to sell food, then we mark it down. If it's still safe to eat, we then donate it to our partner Feeding America-affiliated food banks. By feeding people first, we are reducing the amount of food that ultimately needs to be managed as waste. This program continues to expand by including more qualifying products, by building awareness and engagement and by driving better execution in our stores. In 2018, our associates rescued 100 million pounds of safe, wholesome food from our stores, plants and distribution centers.



## Reusable Shipping Containers

We understand the value of adopting more circular models for the materials we use by keeping products and materials in use, rather than using the 'take, make and dispose' model. We have taken meaningful strides to embrace the circular economy in our business, including partnering with our vendors to adopt shared models in the form of pooled pallets, bulk containers and reusable plastic containers (RPCs). These packaging solutions bring both operational efficiencies and environmental benefits. Compared with one-way, single-use packaging, reusable platforms and containers can provide a lower carbon footprint, reduced water consumption and less waste.

In 2018, we shipped a total of 160 million reusable plastic containers (RPCs) of fresh produce from our distribution centers to our stores, reducing food waste and the need for cardboard boxes. Meanwhile, our manufacturing operations use collapsible, stackable totes and reusable milk crates in their operations. In addition, reusable wooden and plastic pallets are used throughout our network. We are committed to helping shift the way our economy works and supporting more sustainable outcomes in the future.

## Reusable Shopping Bags

While we adopt waste reduction and reuse models in our own business operations, we know that the products we offer in our stores have just as much impact for our customers. Given the growing attention to single-use packaging, and the need to move to more reusable models, we made the bold commitment in 2018 to phase out single-use plastic shopping bags in our stores by 2025. Our vision is to transition to reusable carry-out options, which we currently sell in our stores and encourage customers to bring back when they shop with us. Our first division to transition away from single-use plastic bags was QFC in the Pacific Northwest – as of April 1, they only offer paper and reusable bags.



## WASTE DIVERSION FOR RECOVERY

After reducing as much waste generated in the first place as we can, we focus on diverting any existing waste away from the landfill for recovery. In 2018, we saw a 19% increase in recycling compared to the previous year.

## Cardboard Recycling

We collect more cardboard for recycling across our operations than any other material. Cardboard is primarily used to ship products into and within our distribution network, including from our plants and distribution centers to our stores. In 2018, we captured nearly 1.5 billion pounds of corrugated cardboard for recovery across our company. In addition to the environmental benefits of recovering this valuable material for recycling back into new packaging, cardboard materials provide a valuable revenue stream for Kroger. In the last year, our Retail Operations team piloted a cardboard tracking pilot that will allow for better store-level tracking of the volume of cardboard collected for recycling, in turn driving better accountability and execution.

## Food Waste Recycling

As discussed in more detail in the [Food Waste](#) section of this report, preventing and recycling food waste is a high priority for Kroger given our Zero Hunger | Zero Waste commitments. After prioritizing food waste prevention, we then work our way through the EPA's Food Recovery Hierarchy to first feed people, then animals, and then direct it to anaerobic digestion or composting.

In 2018, we increased the number of Kroger stores that have adopted food waste recycling programs to 2,039, or 74%. Adopting recycling programs across the enterprise is a priority for the near term. In the last year, we also increased the amount of food waste that we recycled by 26%, thanks to better awareness, tracking and execution by our associates.

## Plastic Recycling

We generate plastic across our business, with the primary source being flexible plastic film (shrink wrap) that we use to secure pallets of products as they are shipped through our distribution network. In addition to recycling the plastic from our own operations, we also offer a popular in-store plastics recycling program for our customers. Customers can place any flexible HDPE (#2) or LDPE (#4) plastic film in the recycling barrels located in our front-of-store vestibules. Examples include plastic shopping bags, bread and produce bags, bottled water case wraps, and bathroom tissue and diaper plastic overwraps if clean and dry. In 2018, Kroger recycled nearly 52.2 million pounds of plastic in our operations, for a total of more than 186.6 million in the last three years.



FEATURE STORY

## FRED MEYER LEADS IN ZERO WASTE

The Fred Meyer Distribution Center (DC) located in Clackamas, Ore., was one of our first distribution centers in the Kroger Supply Chain network to adopt 'zero waste' practices. Located in the Pacific Northwest, a part of the country with a strong environmental ethic, the Clackamas DC has been a leader in the enterprise in adopting waste reduction and recycling practices in our facilities.

"Adopting sustainable practices at our facility is a natural way of life for our associates," says Hallie Ballou, Supply Chain Manager at the Clackamas DC and one of several associates who leads the facility's waste management efforts. "Our facility served as a model and template for other facilities as the company has adopted its zero waste commitments and brought them to life across the enterprise."

In 2018, the Clackamas DC continued to collect several materials for recycling – such as cardboard, plastic, metal, paper, wood, and pallets – and has upheld its zero waste status by diverting more than 90% of materials from the landfill.

Several stores in the Fred Meyer division also collect food and other organic waste for composting, which is backhauled to the Clackamas DC for consolidation and distribution to a third-party anaerobic digester operated by Divert, Inc., based in Concord, Mass. Thanks to the hard work of our associates, we collected more than 7.24 million pounds of food waste for composting in the Fred Meyer division in 2018 – and we anticipate this volume will grow as more stores are converted to the program.



In our Fred Meyer stores, our associates are just as keen to help our company and our customers adopt sustainable practices. The food rescue program established by Fred Meyer laid the foundation for the Zero Hunger | Zero Waste Food Rescue program that is a key part of our efforts to help those in need and reduce food that goes to waste.

In 2018, Fred Meyer launched a new recycling program aimed at reducing a key waste impact in their business. Fred Meyer has a large selection of home goods and grocery products frequently packed in polystyrene foam. Because this material is hard to hard to recycle in common collection programs, the division partnered with recycling vendor Agilyx, based in Tigard, Ore., to help convert these types of hard-to-recycle waste plastics into valuable resources. In the Agilyx facility, the collected material is broken down into a liquid and used to create new plastics, asphalt and fuel.

Fred Meyer is not only passionate about recycling in stores, they're also passionate about getting their community involved. Fred Meyer partnered together with the NBA's Portland Trail Blazers to host an event to collect and recycle plastic, polystyrene foam and electronics. At the event, they collected more than 1,100 pounds of packaging materials. Fred Meyer plans to host similar events in the future.

## WASTE MANAGEMENT IN OUR STORES

Implementing our zero waste initiatives in our stores is a responsibility that all associates share under the leadership of the store management. We have associates helping with different recycling programs as well as our food rescue and donation program. Each retail division also has an Expense, Sanitation and Sustainability Manager that supports waste management in stores and helps execute company-wide initiatives. Our stores recycle cardboard, plastic, used cooking oil and other materials. In addition, 2,039 stores have programs in place to divert food waste to animal feed, anaerobic digestion or composting.

## WASTE MANAGEMENT IN OUR DISTRIBUTION CENTERS

Two associates in each DC lead our sustainability initiatives and drive our ongoing commitment to zero waste. These facilities recycle a variety of materials, such as wood, cardboard, plastic and batteries. Like our stores, they donate rescued food – in 2018, our Supply Chain network donated more than 14.8 million pounds of food to local food banks. Our DCs also champion our circular economy initiatives through their deployment of reusable shipping pallets and reusable plastic containers (RPCs), which are re-circulated throughout our network until they need refurbishing or recycling, reducing the need for new materials. In 2018, Kroger had more than 160 million RPCs in our network.



FEATURE STORY

## KROGER'S HERITAGE FARMS PLANT SUPPORTS SUPPLIER SUSTAINABILITY INITIATIVES

Kroger's Heritage Farms Dairy in Murfreesboro, Tenn., which produces yogurt, milk and other dairy products, began diverting the whey from the Greek yogurt production process to a nearby supplier facility to support their sustainability initiatives in 2017.

General Mills' nearby Murfreesboro plant produces yogurt and refrigerated dough. The facility uses an anaerobic digester to process their organic waste while also creating renewable electricity from the methane produced during the breakdown of the whey and other waste products.

Kroger sends on average 10,000 gallons of whey per day to the General Mills' facility, or about 40-60 truckloads per month. By diverting the whey to an anaerobic digester, we are supporting the transition of farmland back into agricultural production. Whereas whey is often spread on fields to decompose, it can now be used to generate renewable energy and instead free that farmland up to produce agricultural commodities.

## WASTE MANAGEMENT IN OUR PLANTS

A decade ago, Kroger Manufacturing launched an initiative to go 'zero waste to landfill' – to protect our planet, reduce costs and help generate revenue. These facilities manage a variety of waste, like cardboard, plastic and wood, as well as divert manufacturing byproducts for animal feed, anaerobic digestion and land application. They also keep reusable pallets and milk crates in circulation as they ship finished products to our distribution centers and stores. In 2018, 34 of Kroger's plants achieved zero waste by diverting 90% or more from landfill. This is all accomplished through the continuous improvement process that our Manufacturing group uses, local leadership in the form of Sustainability Champions, regular sharing of best practices, monitoring of data and performance, and flexibility to accommodate different plant processes and locations.

## WASTE MANAGEMENT IN KROGER CONSTRUCTION

As in the rest of our business, zero waste is an imperative for our Construction group, which focuses on reducing waste in remodels, expansions and new store projects. In 2018, 271 projects (90%) participated in our zero waste initiative by tracking their waste generation and management. These projects recycled items such as wood, metal, cardboard, concrete, brick and plastic, and diverted a total of more than 37,000 tons of waste (81% diversion rate) from landfill. Of participating projects, 123 (45% of those participating) met our zero waste objective of diverting 90% or more of the waste from the landfill.

## HAZARDOUS WASTE MANAGEMENT

Our Environmental Compliance team has been successful in implementing simpler processes for our stores to handle and dispose of unsalable hazardous products in a lawful and responsible manner. Through our partnership with UL WERCSmart, we provide accurate disposal information directly to store and distribution center associates through their existing information systems. We then use licensed hazardous waste vendors to remove these materials from our sites and ensure they are destroyed properly (e.g., landfilled, incinerated).

Additionally, we continue to work with our vendor G2 Recycling, which designs customized mail-back programs to recycle and reuse commercial chemical products that would otherwise have to be destroyed. The hazardous products recycling program offers a more sustainable approach to responsibly handling unsold consumer products. In support of Kroger's Zero Hunger | Zero Waste plan, our recycling partner donates 2.5 pounds of food to their local food bank for every box we send them.

Through these programs, we diverted 39,500 pounds of aerosol cans and 46,600 pounds of unsalable commercial chemical products in 2018 that otherwise would have been destroyed as hazardous waste. In addition, we worked with our recycling partner to recycle unsold nicotine smoking cessation products, fluorescent lamps, batteries and lighters. The total weight recycled for all programs in 2018 was roughly 92,900 pounds, a 15% increase over 2017 amounts. With the success of these programs, we continue to look for opportunities to recycle more of our unsalable consumer products.



WHERE DOES  
**FOOD WASTE**  
EXIST IN THE  
KROGER VALUE  
CHAIN?

PLANET

# Food Waste

 2019  
SUSTAINABILITY  
REPORT

GRI 103-1, 103-2, 103-3

As a food retailer and manufacturer, Kroger sits at the center of the value chain – sourcing from farms and food manufacturers to deliver nutritious food to our customers. Along the way, each step produces food waste that can and should be prevented.

Reducing and recovering edible food waste has multiple benefits, including reducing hunger and food insecurity, building efficiency, and reducing environmental impacts. Food waste is a topic important to many of our stakeholders, particularly our associates and company leaders.

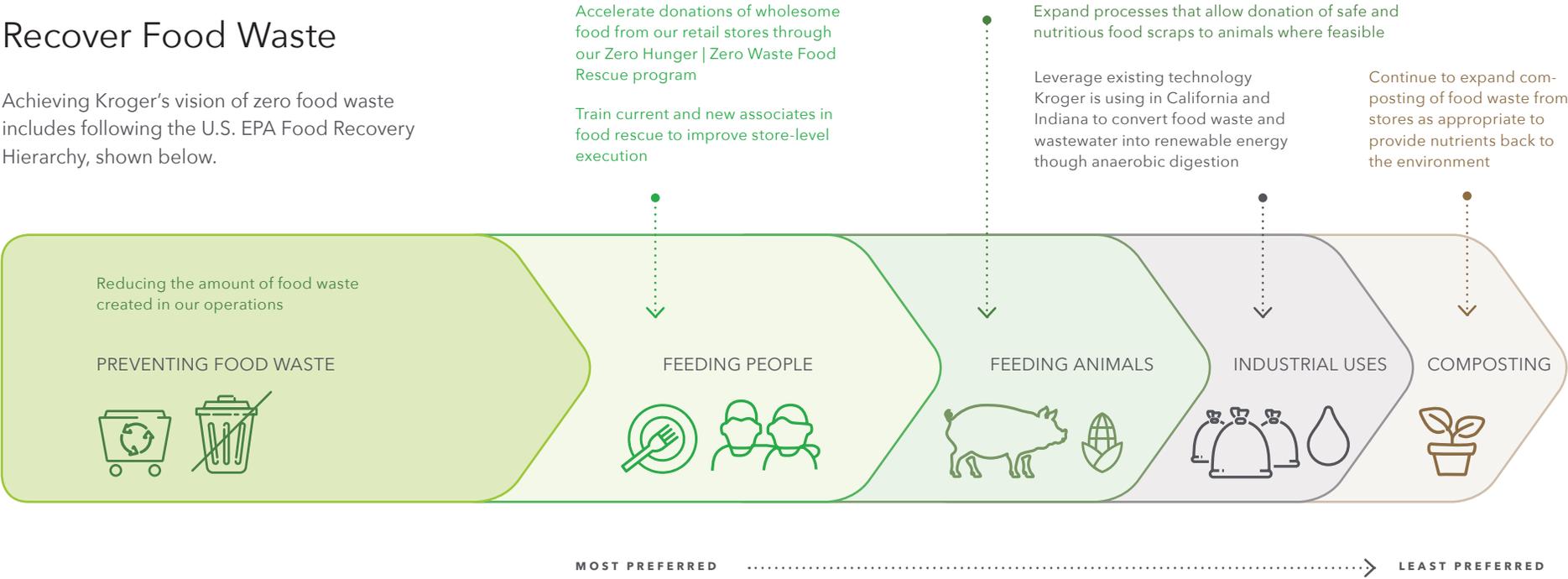
Our Corporate Affairs team guides our zero food waste strategy and measurement with the endorsement of leaders in Retail Operations, Manufacturing and Supply Chain. We rely on associates to implement changes across all levels of our organization. Kroger is also working with key partners World Wildlife Fund, Feeding America and ReFED to guide our zero food waste goals and commitments.

**HOW WE PRIORITIZE FOOD WASTE MANAGEMENT**

The EPA Food Recovery Hierarchy helps guide Kroger’s work as we aim to prevent, reduce and then recover food waste. To start, our priority is to reduce food loss and waste in the first place. As a retailer, our first goal is always to sell the food we carry in our stores. As items near their expiration date, we employ mark-down practices around the store. When unsold food is still safe to eat, we donate many of the products in our fresh departments through our Zero Hunger | Zero Waste Food Rescue program. And finally, what cannot be donated we aim to recycle through animal feed, anaerobic digestion or composting programs (in that order of priority).

**How We Reduce and Recover Food Waste**

Achieving Kroger’s vision of zero food waste includes following the U.S. EPA Food Recovery Hierarchy, shown below.



## FOOD WASTE TRACKING

Reducing waste starts with measurement so we can identify the most significant opportunities to reduce and divert more waste. After we launched our Zero Hunger | Zero Waste social impact plan in 2017, one of our first steps was to calculate a food waste footprint in our retail stores, which presented the most significant opportunity for reducing food waste.

The initial footprint calculation for the 2017 performance year is a benchmark for food waste reduction efforts and tracking. Our partner World Wildlife Fund provided valuable expertise in conducting this exercise. We used the World Resources Institute’s Food Loss & Waste Protocol to guide our food waste reporting for our store operations. This standard requires reporting how much waste occurs within our retail operations, and how the waste is disposed or recycled. We also evaluated shrink (loss) data in combination with food donation data to understand what the opportunity is for increasing donations. And finally, we used waste audit data to estimate how much food waste is going to landfill.

The analysis includes both food and inedible (fat and bone) parts. It does not include food donated to feed people through our Zero Hunger | Zero Waste Food Rescue program because the Food Loss and Waste Protocol specifies that food rescued for people does not classify as ‘food waste.’ A more detailed breakdown of the volume by destination of food loss and waste in our stores is shown to the right.

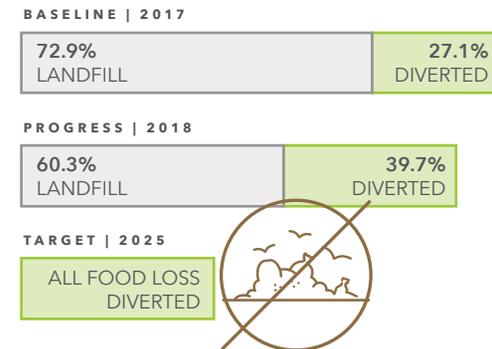
Our initial food waste footprint indicated that in 2017, approximately 27% of food waste was diverted from landfill. In 2018, we improved the percentage of food waste recycled by 13%, increasing total retail food waste diversion from landfill to 40%. Overall food waste produced also decreased 9% from 332,212 tons in 2017 to 301,282 tons in 2018.

Continuing our progress toward 100% diversion – zero food waste to landfill – will provide meaningful reductions in food waste and resulting carbon emissions. Moving forward, we will continue our focus on keeping food waste out of landfill while also working diligently to produce less waste overall. Working with our advisers and internal business partners, we will review best practices to find ways to purchase more efficiently, reduce shrink throughout the supply chain and keep food waste out of the system.

## Food Waste Management Data

DESTINATION	FOOD (Short tons)	INEDIBLE PARTS (Short tons)
Animal feed	50,571	9,678
Anaerobic digestion	33,114	–
Composting	15,962	–
Bio-Diesel Production	–	10,399
Landfill	181,558	
<b>Total</b>	<b>301,282</b>	

## Where Is Our Food Waste Going?



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 sub-set 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 2018 progress is proportional relative to the bar length of 2017 baseline.



FEATURE STORY

## ACCELERATING ZERO FOOD WASTE IN OUR NASHVILLE DIVISION

Since launching Zero Hunger | Zero Waste, a key priority has been better execution of the food rescue and recycling programs in our stores. Because all of our stores have a food donation program in place and we continue to add food waste recycling programs in our stores, our biggest opportunity is building awareness and improving execution to drive progress toward our goals.

Kroger store #534 in Lewisburg, Tenn., is a perfect example of a store that is moving the needle on waste in a big way. Thanks to the leadership of Store Manager Robin Tipper and their zero waste champions, they increased their waste diversion rate from 49% in 2017 to 73% in 2018 – a huge leap. Robin came to the store in 2017 and made this a priority for her associates: “If it’s important to you, it’s important to them,” she notes.

Robin indicates that it’s all about awareness and procedures. She has made it a point to discuss these important programs, including training all new hires when they join the team. Having an easy process to remember – sell, mark down, donate then recycle – as well as a clear place to put food donations and recycling with proper signs is also very helpful.

Because of her team’s dedication, the store has doubled their food donation, increased their recycling rates across several materials, and reduced the amount of waste going to landfill by approximately 50% in the last year.

Robin credits the passion of a few specific associates for getting the whole team to participate. “We have a few associates who are really passionate about our food rescue and recycling programs. They spearhead this work and get everyone else on board.”

## STORE ENGAGEMENT

### Food Rescue

Our Zero Hunger | Zero Waste Food Rescue program has been highly successful since we launched it 10 years ago. Kroger is a founding member of Feeding America, and we partner with Feeding America-affiliated food banks across our communities to direct safe, wholesome food to individuals and families in need. By rescuing food for donation, we are taking important steps to reduce the amount of food waste that needs to be recycled.

Over the course of 2018, we increased donations by 10% across our business. We did this by focusing on donating from all five fresh departments (Meat, Bakery, Dairy, Deli and Produce) and donating consistently throughout the year. We are also expanding the categories eligible for donation. Stores in the Smith’s division are donating fresh, never-frozen tilapia, Atlantic salmon and catfish to local food banks in need, and Kroger will expand this program across the company in 2019. Fresh artisan breads and prepared meal kits were added to the donation program in 2018.

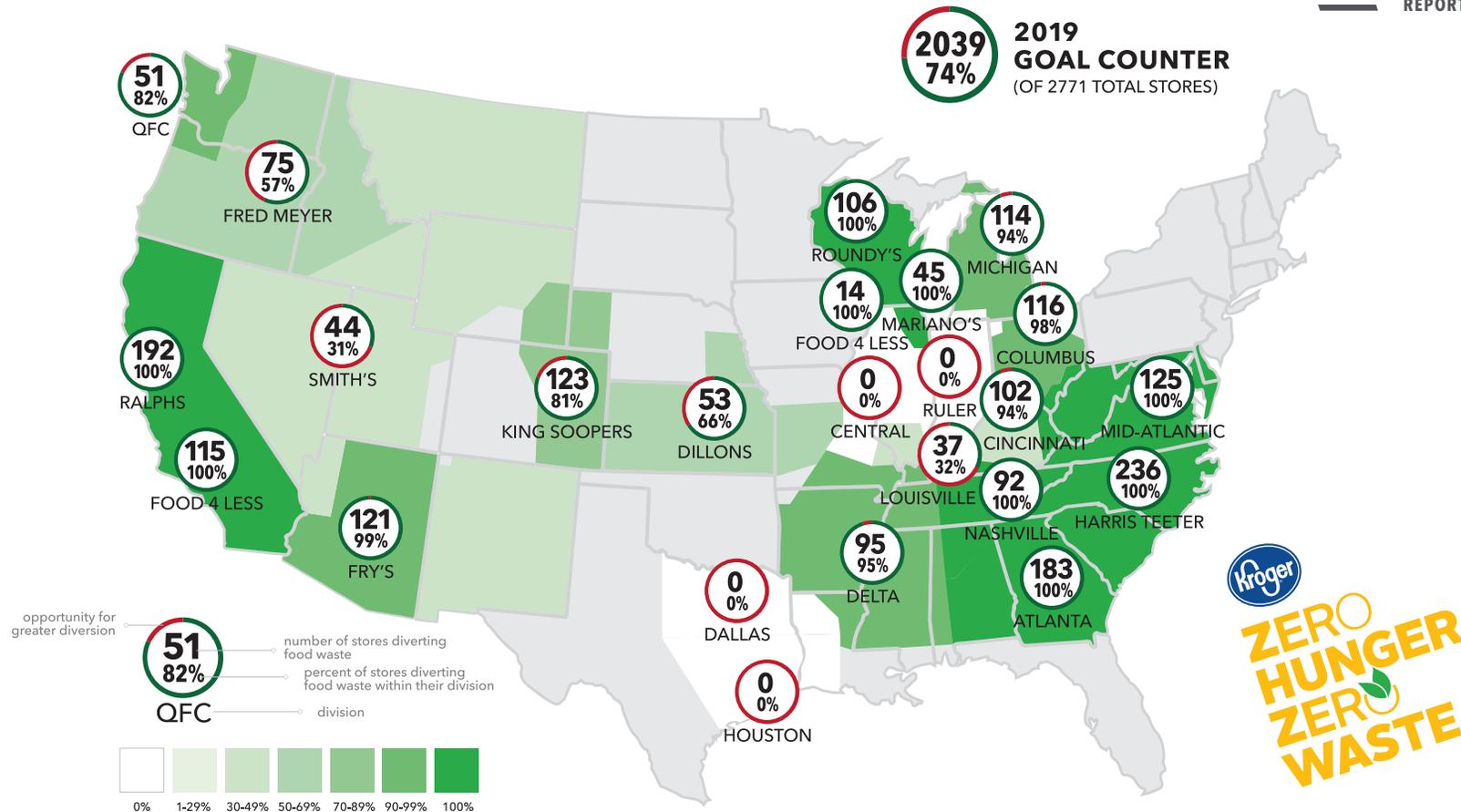
We sought to improve the execution of our program through better awareness and understanding among our associates. We launched new, updated Food Rescue posters for the fresh departments across all stores. We are also developing dashboards that will be used to communicate progress to our store leadership and aim to launch a new Zero Hunger | Zero Waste Food Rescue certification program in the coming year.

As a result, we made great progress on our Food Rescue priorities in 2018:

- 83% of stores donate food consistently every month
- 51% of stores donate food from all five approved perishable food departments

# Food Waste Diversion

Status at end of December 2018



## Food Waste Recycling

Food that cannot be sold or donated should be recycled through animal feed, anaerobic digestion or composting. We have food waste recycling programs in 2,039 stores – up from 1,978 at the end of 2017 – and we’re working to bring these programs to every store. Thanks to expanding programs and the hard work of our associates, we increased food waste recycling by 26% in the last year. Currently, most of our stores use animal feed, with a smaller portion of stores using composting and anaerobic digestion services.

Our Ralphs/Food 4 Less Distribution Center in Compton, Calif., is home to the company’s first anaerobic digester (AD), which has been in operation for six years. Ralphs

and Food 4 Less store associates fill bins with unsold organics and place them on a return trailer to the distribution center, where the bins are off-loaded and brought to the (AD). Unsold organics, as well as on-site dairy processing effluent, are processed in the digester, which can produce renewable energy for the plant.

For more than a year, stores in our Fred Meyer division collect their food waste, which is sent via the Clackamas Distribution Center to be processed at a third-party AD operated by Divert, Inc., located in Concord, Mass. In 2018, we increased the amount of waste going to AD by 27%.



## 2018 | COMPANY SNAPSHOT AND GOALS

As part of *Restock Kroger* - our plan to redefine the food and grocery customer experience in America - we declared our Zero Hunger | Zero Waste social impact plan as one of the fundamental pillars that enables us to Live Our Purpose: to Feed the Human Spirit™.

Here is how we are measuring progress on our journey to end hunger in our communities and eliminate waste across our company by 2025.

### ZERO HUNGER



**61,172,055**

meals donated

**KROGER GOALS: 2020: 1 B MEALS | 2025: 3 B MEALS**



**↑ 10.65%**

% change in pounds of food rescued\*

\*from the same quarter in previous year



**83%**

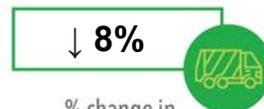
of stores donating at 100%

### ZERO WASTE



**63.9% (goal: 68%)**

total diversion



% change in trash sent to landfill\*



% change in cardboard diverted\*



% change in plastic diverted\*



% change in food waste diverted\*

\*from the same quarter in previous year

**2020 GOAL: ZERO WASTE | 2025 GOAL: ZERO FOOD WASTE**

### DASHBOARDS

In 2018, we developed a Zero Hunger | Zero Waste dashboard for our Retail Divisions to share hunger and waste metrics with key leaders. The dashboard provides regular updates on division-level performance to inform interim goal setting and progress tracking. We are also developing store-level Zero Hunger | Zero Waste dashboards to provide more in-depth metrics on shrink, food donation and food recycling to better inform our associates' program execution. The sample dashboard shown reflects 2018 data for our total Retail Operations group.



FEATURE STORY

## OFFICES ADOPT COMPOSTING PROGRAMS

Our associates have been highly engaged in our Zero Hunger | Zero Waste plan, and they are eager to ‘walk the talk’ throughout the business. We have several offices that are adopting composting programs. Our customer insights team 84.51° has led the way when it comes to ‘going green’ at work. Thanks to their passionate Green Team, they have collected food waste and paper towels for composting for two years and currently track more than 900 pounds a week.

In early 2019, the Kroger Technology team revamped waste collection at its main office to adopt food waste recycling and converted their cafeteria to compostable serving ware. They also stopped serving single-use coffee cups, and gave every employee a reusable coffee mug. Most recently, Kroger’s Culinary Innovation Center and downtown headquarters building in Cincinnati also started recycling food waste in their on-site kitchens. Many of our offices also collect more traditional materials like cardboard, paper, bottles and cans for recycling through their local vendor partners. In addition, we work with our technology partners to refurbish and recycle technology assets like laptops and ink and toner cartridges.

## VALUE CHAIN ENGAGEMENT

Food waste happens all the way up the supply chain, at the farms that produce food down through the transport and production of food before sale at our stores. By improving communication with suppliers, better aligning supply and demand, and leveraging innovation, we can reduce waste and protect our natural resources.

Our vendors can be some of our greatest partners in our Zero Hunger | Zero Waste social impact plan. Many of them have similar commitments and initiatives in place to end hunger and eliminate waste in their companies – and supply chain. In summer 2018, we hosted a vendor summit to gather feedback from our suppliers on what a meaningful partnership would look like. We are finalizing a framework in 2019, which we will share with our valued partners.

We are also looking within our own supply chain – our manufacturing plants and distribution centers – to increase food waste reduction and diversion. To start, we are increasing attention to our existing food waste donation program to improve tracking and donation performance with local partners. In 2018, our Supply Chain network donated more than 14.8 million pounds of food to local food banks. In our plants, we are exploring means to capture waste for remanufacturing and to move waste “up the hierarchy” to better uses (e.g., feeding people instead of animals).

## CUSTOMER ENGAGEMENT

According to research, approximately 40% of food waste happens at the consumer level in our customers’ homes. As such, we view our customers as key partners in our journey to achieve zero waste.

In 2018, Kroger launched a series of communications aimed at giving our customers the tools and information needed to reduce waste at home. A highlight is our **Wilted to Wonderful** series, which features stories on [www.krogerstories.com](http://www.krogerstories.com), including blogs, videos and recipe ideas about using expiring food, such as leftovers. Our Culinary Innovation Center chefs use their expertise to develop innovative recipes that reduce food waste and use leftovers and expiring food creatively.

In early 2019, Kroger launched our first products with adjusted date labels that reflect recommendations to standardize date labeling. Over time, brands and retailers have adopted a wide variety of date labeling practices that can cause confusion for consumers. Recommendations from expert organizations are to adopt one of two options: (a) “Use by” to indicate food safety and (b) “Best by” to indicate product quality. To start, Kroger is adopting the new date labeling standards for Greek yogurt products, packaged deli salads and liquid water enhancers produced in our plants, and we will roll this out to all Kroger manufactured products in 2019.



PLANET

# Energy & Emissions

 2019  
SUSTAINABILITY  
REPORT

GRI 103-1, 103-2, 103-3

Our large portfolio of stores, warehouses and food production plants are a significant driver of our energy and carbon impacts. With a large, complex supply chain, we also incur carbon impacts via the products we sell and suppliers we partner with to procure and manufacture these products.

At Kroger, we care about the planet and how our business affects our climate. We have implemented programs to manage risks and opportunities related to climate change, energy consumption and greenhouse gas emissions in our retail, manufacturing, supply chain operations and building construction for several years, and continue to do so.

This is also an important topic for our stakeholders – investors, associates, our leaders and our suppliers – who expect Kroger to first minimize energy consumption and limit our emissions and then shift toward renewable energy sources. They also believe that Kroger can play a role in limiting emissions in our supply chain.

## HOW WE MANAGE ENERGY AND EMISSIONS

Energy management efforts align with our business strategy of identifying areas of opportunity that reduce environmental impacts, reduce cost and improve efficiencies. We have a history of reducing carbon emissions across our company through investments in energy efficiency, renewable energy and refrigerant emissions reductions. We continue to expand the implementation of existing solutions that have proven successful, as well as identify and evaluate new innovative technologies and collaborations that have the potential to further improve sustainability.

To fulfill our sustainability commitments, we have established several climate-related goals in the different areas of our business to improve our performance. These are articulated throughout this section and summarized in our [2020 Sustainability Goals](#). The assessment of the physical and reputational risks associated with each of these components is considered when setting goals and understanding potential implications to the business. We track our energy use and calculate a greenhouse gas inventory annually. We use this information to track progress on our climate-related goals and report this information internally to identify opportunities for improvement and to share best practices across the business, as well as externally to communicate progress to our stakeholders.

Individuals across the company – in Facility Engineering, Manufacturing and Supply Chain – are responsible and accountable for managing our energy efficiency, refrigeration reduction and renewable energy investments. Kroger’s head of Sustainability is also accountable for our 2020 Sustainability Goals, while our group vice president of Corporate Affairs reports regularly on sustainability progress to the Public Responsibilities Committee of the Kroger Board of Directors.

Because we recognize the need to continue our progress in identifying and reducing our climate change impacts, we have identified the following priorities for 2019:

### Priority 1:

- Work to set a new carbon reduction target by the end of Kroger’s fiscal year 2019.

### Priority 2:

- Conduct an assessment to better understand and articulate the key climate risks in Kroger’s operations.

### Priority 3:

- Continue to share information about our energy efficiency, refrigerant emissions reduction and low-carbon energy investments going forward, as well as our intentions to set a new carbon reduction target, in our annual Sustainability Report.

[READ OUR CLIMATE IMPACT REDUCTION STATEMENT.](#)

## CLIMATE RISK ASSESSMENT

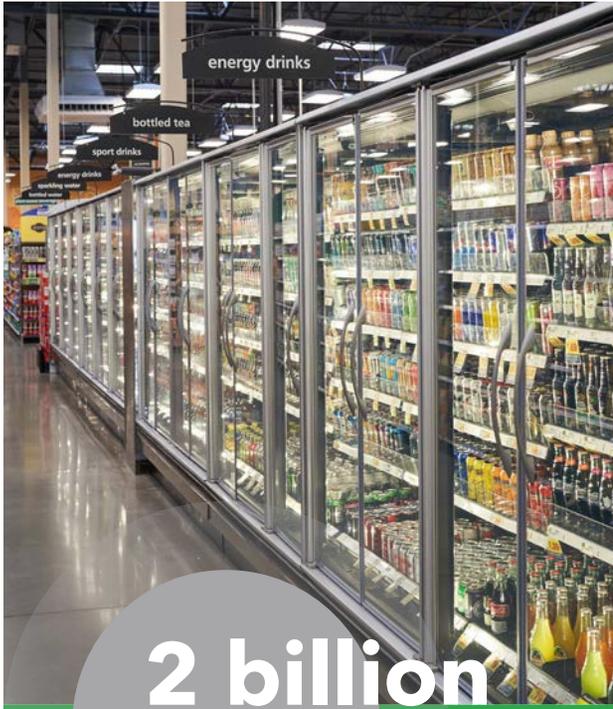
Kroger uses multiple mechanisms to identify and assess risks as a company, including those pertinent to climate change impacts and other sustainability topics. Relevant examples include:

- Periodic meetings of the Public Responsibilities Committee of the Kroger Board of Directors to elevate and discuss current risks and emerging trends as they relate to sustainability.
- A materiality assessment process with the support of a consultant to identify and confirm the most material sustainability topics for the company.
- Regular stakeholder engagement to discuss emerging trends, industry benchmarking and risks and opportunities pertaining to environmental and social impacts. This includes meetings with non-governmental organizations, shareholders, investor research firms and business partners.
- Dedicated business resiliency and continuity planning to assist in preparing for potential interruptions to business operations.

Kroger uses different considerations to assess sustainability risks and opportunities, such as likelihood, stakeholder interests, and financial and reputational impacts. Each of Kroger’s major business units – Facility Engineering, Manufacturing and Supply Chain – also have processes in place for assessing risk at the asset level. This process takes into consideration several factors such as regulatory requirements, emerging technologies, increasing demand on energy and water resources, and impacts from extreme weather patterns.

In 2019, Kroger will undertake a formal assessment to better understand and articulate the key climate risks impacting our business.

[READ MORE IN OUR LATEST CDP CLIMATE RESPONSE.](#)



2 billion  
kWh

of electricity  
saved in our  
stores since 2000

## ENERGY LEADERSHIP IN OUR STORES

Kroger's Facility Engineering team has responsibility for leading energy efficiency, renewable energy and refrigerant emissions programs in our nearly 2,800 store locations. Our teams of engineers, maintenance technicians and on-the-ground associates help design and install management solutions, make repairs and maintain equipment to ensure we are being as mindful as possible about energy consumption across our footprint.

### Energy and Emissions Goals

We have two goals that help prioritize our energy management work in our stores:

**1. To create electricity savings of 40% by 2020 from a 2000 baseline.** Through this commitment, we are reducing energy usage and associated carbon impacts for the largest portion of our corporate carbon emissions (scope 2 emissions from purchased electricity). This goal was initially set in 2000 with a savings target of 20% by 2006. After the initial goal was achieved, we continued to increase the electricity savings target and goal timeline, with the current goal of 40% set in 2015. This goal currently captures all Kroger stores except for Roundy's and Harris Teeter because they do not have annual data from 2000-2018.

Kroger has now achieved – and surpassed – this goal, ahead of schedule. By 2018, we achieved a 44.9% savings compared to our baseline year. Through this goal, we have saved over 2 billion kWh in our stores since 2000.

**2. To reduce refrigerant emissions by 9% in 2018 in our retail stores.** Kroger joined the EPA's GreenChill program in 2014. As a food retailer with a large store footprint and a sizeable number of refrigerated products, we recognized that refrigerant emissions are a material part of our carbon footprint (approximately 25% of our corporate carbon footprint). As a participant in this voluntary program, Kroger sets and pursues an annual reduction target for our stores. We have set a goal to reduce emissions by 10% in 2019.

While our absolute refrigerant emissions in terms of CO<sub>2</sub> equivalents decreased in 2018, we did not meet the goal to reduce our company-wide refrigerant leakage rate in supermarkets by 9%. Many of our divisions continued to decrease their leak rates and even performed better than the 2018 company goal. We anticipate meeting our 2019 reduction goal in the coming year.



Once fully rolled out,  
our LED lighting retrofit  
in stores can provide **350  
million kWh of electricity  
savings** per year.

### Energy Management Practices

We use an energy management tool called EnergyCAP to enter and track our energy usage across our network of stores. We also use machine learning algorithms to minimize energy consumption and optimize refrigeration set points and operation. Meanwhile, participating in the U.S. EPA's ENERGY STAR program helps us benchmark our performance in the industry.

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

Additionally, Kroger retrofits existing stores with energy efficient technologies to ensure we are also saving electricity in these locations. In 2018, Kroger completed a significant push on a multi-year LED lighting retrofit. By the end of the year, we had reached 2,186 stores, and will complete the remaining divisions in 2019. Once fully rolled out, this investment can provide 350 million kWh of electricity savings per year.

In 2019, Kroger is launching a new project that will dramatically reduce electricity and natural gas consumption. Starting with 175 stores, we will be placing new glass doors on open-shelf refrigerated cases. The per-store energy reduction can be up to 15% once implemented.

Recognizing that our refrigeration-related emissions are a material part of our carbon footprint, we actively seek to minimize leakage from our air conditioning and refrigeration units. Investments in refrigerant leak detection equipment and a better reporting system, as well as improved policies and practices around refrigerants installation, repairs and tracking, all play a part in our efforts.



## ENERGY STAR Program Participation

We participate actively in the U.S. EPA's ENERGY STAR® program to benchmark our building performance, assess energy management goals over time and identify strategic opportunities for savings. Kroger continues to seek the ENERGY STAR certification for our stores, and new stores are 'Designed to Earn' the certifications.

- In 2018, 176 Kroger stores were certified as ENERGY STAR buildings, bringing our cumulative total at the end of 2018 to 818.
- 1,270 of our stores achieved an average ENERGY STAR energy efficiency score of 72, which means they scored in the top 30<sup>th</sup> percentile of energy usage among similar building styles.

We continued to raise awareness about ENERGY STAR and energy efficiency through the ENERGY STAR store certification labels our stores receive and through the sale of ENERGY STAR-labeled products. As part of our ENERGY STAR certification process, our Facility Engineering team engages our store associates in training to raise awareness about how to save energy in their day-to-day operations.

Once again, Kroger was recognized as ENERGY STAR Partner of the Year in recognition of our hard work to drive energy efficiency into our stores.

## Kroger Supports EV Vehicle Adoption

We know consumers in the U.S. are increasingly shifting to drive electric vehicles (EV), helping to reduce tail-pipe emissions in our communities. Since we are a frequent destination for consumers across the country, we want to offer the convenience of EV charging for these customers. In recent years, we have deployed EV charging stations at our stores in multiple markets.

By early 2019, we had stations at approximately 100 stores in 11 states, and these numbers continue to grow. We signed on with Electrify America in a 31-store agreement to deploy new DC Fast Chargers as part of their \$2 billion investment to build a national network of ultra-fast electric vehicle chargers.

By 2020, we plan to increase to a total of 160 EV charging stations in operation.



## ENERGY MANAGEMENT IN OUR PLANTS

Kroger Manufacturing has built a strong foundation in identifying and implementing energy efficiency improvements in our manufacturing plants. Through regular goal-setting, energy tracking, collaborative leadership and internal benchmarking, these facilities can make progress to reduce energy intensity in their operations.

Sustainability efforts in Kroger Manufacturing are led at the corporate level by our Manufacturing Engineering team and at the plant level by our Energy Champions (for energy) and Sustainability Champions (for waste). When new site champions are introduced to the role, they receive direct training from our Manufacturing Engineering sustainability lead. Kroger's group vice president of Manufacturing is responsible for sustainability efforts at our plants.

Energy Champions identify and execute on energy and carbon emissions reduction opportunities in the plants using their detailed understanding of each plant's unique setup and production process. Meanwhile, the Manufacturing team holds subject matter expertise and visibility into all the plants that can inform strategy and execution. Collectively, this group meets regularly to track group progress, share progress updates and gain new expertise.

As with our Facility Engineering energy initiatives, the ENERGY STAR program has been a key part of Kroger

Manufacturing's energy reduction efforts. Specifically, the ENERGY STAR Guidelines for Energy Management contain a step-by-step road map for continuous improvement, based on best practices from the nation's leaders in energy management, which helps identify a clear path forward for energy efficiency in our plants. Kroger Manufacturing sets annual targets to reduce electricity, natural gas and water consumption as a group, normalized to reflect production volumes.

These are group-level annual targets.

1. Electricity: **Our goal was to reduce electricity per unit produced by 3% in 2018.** We increased electricity consumption by 0.36% per unit of production (total electricity consumption decreased by 2.42%).
2. Natural gas: **Our goal was to reduce natural gas per unit produced by 3% in 2018.** We increased by 4.95% per unit of production (total natural gas consumption increased by 2.05%).

The increases in per-unit-produced numbers are primarily driven by more severe weather and thus increased heating and cooling needs, and because some plants decreased their production value slightly in 2018, impacting their normalization calculation. We did have several plants that decreased their consumption to make positive movement on the goals: half the plants showed a decrease in their electricity and/or natural gas usage.

Our Manufacturing teams use a continuous improvement process to evaluate existing production processes to identify opportunities to reduce waste and increase efficiency in the manufacturing process. We have been installing monitoring systems for electricity and natural gas as well as water consumption and discharges to allow for real-time monitoring of leaks and other unusual activity to address these in a timely manner. We're also using utility control management practices to evaluate utility bills for anomalies that can impact costs and energy consumption. We conducted lighting audits at several plants in 2018 to identify the best candidates for LED retrofitting projects, and plan to implement those in 2019.

As another means to reduce our climate impacts, we have several plants using ammonia in their processing and refrigeration systems, and we are in the process of transitioning another plant to ammonia in 2019. In addition to being very efficient, ammonia is non-ozone depleting and does not contribute to greenhouse gas emissions, helping the plants reduce their carbon footprint.

Following the successful installation of the anaerobic digester wastewater treatment facility at our KB Specialty Foods plant in Greensburg, Ind., we are evaluating additional plants at which to install this same technology. We are also slated to launch our first solar array at a Manufacturing plant by 2020.



## ENERGY MANAGEMENT IN OUR SUPPLY CHAIN OPERATIONS

Our Supply Chain team moves several million items across the country every day. We operate and maintain 44 distribution centers across the U.S. Our store delivery fleet of tractors and trailers makes thousands of deliveries every day. Given the nature of their operations, our Supply Chain energy reduction programs are focused on driving efficiency into our fleet. Ultimate responsibility sits with our vice president of Supply Chain and Replenishment. Each Supply Chain facility has two sustainability leads who monitor energy usage and recycling and reuse programs.

To drive our sustainability progress, the Supply Chain team set a fleet efficiency goal:

**Improve fleet efficiency by 20% by 2020 from a 2010 baseline.** Our Supply Chain team continues to track our Ton Miles Per Gallon (TMPG), which effectively looks at how many miles we haul one ton of groceries on one gallon of fuel, from Kroger-controlled inbound and outbound loads to our stores and throughout our transportation network.

- By the end of 2018, we had achieved an improvement of 10.21% since 2010 due to ongoing evaluation of new technologies and increasing efficiencies in how we make deliveries and operate our equipment.

Since 2008, we have participated in the U.S. EPA's SmartWay program. The program is a voluntary, public-private partnership that helps companies like Kroger improve their transportation supply chains by using a consistent set of EPA-tested tools to make informed transportation choices. The tools allow us to measure, benchmark and report our carbon emissions each year. We use the SmartWay tools for our owned and operated fleet and in every aspect of our logistics operations – inbound and outbound, local to regional.

To drive efficiency into our fleet, we take a multi-pronged approach.

- We continuously improve the efficiency of our fleet by replacing old vehicles with newer, more efficient vehicles. By investing in 234 new tractors in 2018, we reduced fuel spend and continued to increase the fuel economy of our fleet.
- We invest in truck improvements such as trailer side skirts to reduce rolling resistance and increase aerodynamics across all our driving routes. We also optimize our truck routes and limit truck speeds to make our driving behavior more sustainable.
- We standardize and automate efficiency measures such as automated shut-off to limit idling, automatic axle-lifting when truck loads are lighter and automatic tire inflation systems.

- We invest in emerging technologies to pilot new systems to determine whether they are scalable for us in the future. For example, Kroger has committed to adding Tesla Semi electric trucks to our distribution fleet, which reduce energy costs per mile in comparison to conventional diesel tractors. We also have a handful of liquefied natural gas (LNG) and compressed natural gas (CNG) trucks in our fleet.

Our Supply Chain team also invests in energy efficient technologies and in renewable energy. In 2018, we completed an LED retrofitting project in all 44 of our distribution centers. We also invest in new technologies like hydrogen fuel cell batteries for charging our forklifts and are starting to deploy additional renewable power installations in our facilities.

In 2018, we built a new solar power array at our Paramount Distribution Center in Paramount, Calif., which will be fully operational by the middle of 2019. This is Kroger's largest solar installation to date.



## RENEWABLE ENERGY

### Wind

Through 2018, Kroger hosted the Frey Farm Wind Turbine Project at the Turkey Hill Dairy in Lancaster, Pa. Turkey Hill purchases all wind energy produced from these turbines, which can supply up to 25% of the dairy's annual electricity needs. In April 2019, Kroger announced that the sale of its Turkey Hill business to an affiliate of Peak Rock Capital was completed.

In 2018, installed wind and solar installations produced more than 14.59 million kWh of renewable power.

### Solar

Several Kroger-operated stores have installed rooftop solar systems. Fry's stores in Arizona installed the first commercial application of the PowerParasol – a patent-pending solar energy and shade technology – in 2013. This 580-kW parking lot system covers 1.7 acres. Since then, Fry's has added two 840-kW PowerParasol systems and a new 1,159-kW Affordable Solar Energy parking lot system at additional stores.

To date, our Supply Chain team has deployed two photovoltaic solar systems at our distribution centers. The Fred Meyer Clackamas Distribution Center in Oregon was the first to install a photovoltaic system in 2011, at a 500 kW capacity. Smith's Food & Drug Stores also installed a 1-MW solar photovoltaic rooftop mounted system at its main distribution center in Layton, Utah, in 2014. The project, a partnership between Smith's and Rocky Mountain Power, establishes a guaranteed cost for approximately 20% to 25% of the total electricity needs of these operations over the next 20 years.

In 2018, we launched construction on our Supply Chain group's third solar power installation, which will become fully operational in summer 2019. Our largest solar array to date, this one is located on our Paramount Distribution Center in Paramount, Calif., a 555,000-square foot building that moves a variety of products to our Ralphs and Food 4 Less divisions. The new installation has a 2 MW AC capacity and when fully operational will generate 4.28 million kWh of clean power for the facility each year. This represents approximately 50% of the facility's total energy needs.

In 2018, installed wind and solar installations produced more than 14.59 million kWh of renewable power.

### Anaerobic Digestion

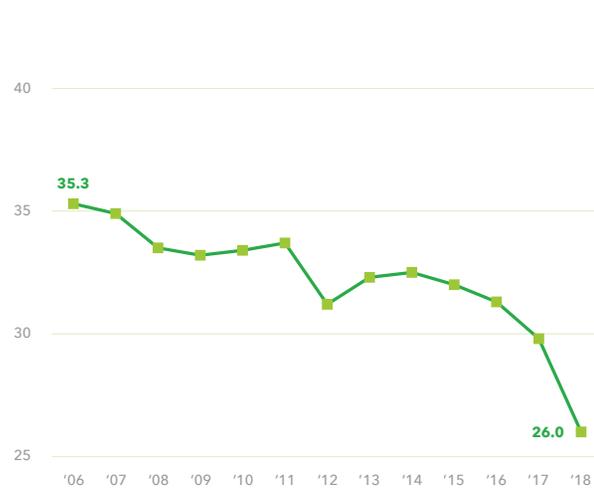
To date, we have installed two anaerobic digester facilities in our operations. The naturally occurring process of anaerobic digestion transforms organic material into renewable biogas, which is then turned into power available for onsite operations.

At the Ralphs/Food 4 Less Distribution Center in Compton, Calif., inedible food waste and other organic materials are returned to the DC from the stores and fed into the digester system. In 2018, the Compton facility processed about 26,000 tons of organics like food waste and flowers.

Our second anaerobic wastewater treatment system at the KB Specialty Foods manufacturing facility in Greensburg, Ind., turns food production byproducts into energy through the anaerobic digestion process. In 2018, the system processed more than 52 million gallons of wastewater and reduced electricity demand at the plant by approximately 30%.

## Total Normalized Emissions

(tCO<sub>2</sub>e/1,000 ft<sup>2</sup>)



### Carbon Emissions and Energy Consumption Trends

We have measured and managed our total carbon footprint since 2006. In 2018, our total corporate carbon emissions were 5,917,427 metric tons of carbon dioxide equivalents (tCO<sub>2</sub>e). This includes 2,313,574 tCO<sub>2</sub>e of Scope 1 (direct) emissions from mobile and stationary fuel sources (e.g., natural gas, diesel fuel, refrigerants) and 3,603,853 tCO<sub>2</sub>e of Scope 2 (indirect) emissions (location-based) from purchased electricity consumption. In 2018, we have estimated 2,299,056 tons CO<sub>2</sub>e in Scope 3 emissions from activities such as business travel, employee commuting and waste generated in our operations.

Key results in 2018 emissions:

- Total carbon emissions (Scope 1 and 2) decreased by approximately 11% from 2017 to 2018. We re-calculated 2017 emissions to reflect the divestiture of the Convenience Store business, and to provide a more accurate year-over-year comparison of emissions performance.
- Scope 1 emissions decreased by more than 15% due to decreases in mobile emissions and fugitive (refrigerant) emissions.
- Scope 2 emissions decreased by nearly 8% in large part due to electricity savings we achieved in our stores after retrofitting lighting to LEDs.

We include a summary of our energy and carbon impacts on the next page. We also include a more formal discussion of our climate impacts management strategy, risks and opportunities, reporting as well as carbon accounting in our [CDP Climate response](#), which we complete annually.

We continue to invest in energy efficiency and low-carbon technologies as part of our commitment to reducing our carbon footprint.

## Carbon Impacts

CARBON EMISSIONS		AMOUNT	UNIT
Direct (Scope 1) emissions		2,313,574	tCO <sub>2</sub> e
Indirect (Scope 2) emissions (location-based)		3,603,853	tCO <sub>2</sub> e
<i>Indirect (Scope 2) emissions (market-based)</i>		3,460,486	tCO <sub>2</sub> e
Total Corporate (Scope 1 and 2) emissions		5,917,427	tCO <sub>2</sub> e
Indirect (Scope 3) emissions		2,290,056	tCO <sub>2</sub> e

CARBON INTENSITY		AMOUNT	UNIT
Carbon Emissions Intensity per Square Foot		26.0	tCO <sub>2</sub> e/1,000 ft <sup>2</sup>
Normalizing factor: facility footprint		227,825	1,000 ft <sup>2</sup>

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. Our emissions calculations primarily rely on EPA emissions factors. 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, business travel and employee commuting.
4. Carbon intensity calculation reflects total Scope 1 and 2 (location-based) emissions.
5. Our 2018 values reflect the divestment of our Convenience Stores in 2018.

## Energy Impacts

ENERGY CONSUMPTION		AMOUNT	UNIT	AMOUNT	UNIT
Total Non-Renewable Fuel Consumed		4,076,598	MWh	1.47E+16	joules
Stationary sources (natural gas, propane, fuel oils)		3,278,812	MWh	1.18E+16	joules
Mobile sources (diesel, gasoline, LPG, jet fuel)		797,786	MWh	2.87E+15	joules
Total Renewable Fuel Consumed		–	MWh	–	joules
Total Electricity Consumption		7,652,462	MWh	2.75E+16	joules
<b>Total Energy Consumed</b>		<b>11,729,060</b>	<b>MWh</b>	<b>4.22E+16</b>	<b>joules</b>

ENERGY INTENSITY		AMOUNT	UNIT	AMOUNT	UNIT
Energy Intensity per Square Foot		51.48	MWh/1,000 ft <sup>2</sup>	1.85+11	joules/1,000 ft <sup>2</sup>
Normalizing factor: facility footprint		227,825	1,000 ft <sup>2</sup>	230,357	1,000 ft <sup>2</sup>

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. Energy intensity calculation reflects total energy consumed within the organization.



PLANET

# Water

 2019  
SUSTAINABILITY  
REPORT

Because we require high-quality water to protect the safety, quality and consistency of the products we manufacture as well as the health of our associates, Kroger deems water a highly valuable resource – one that needs to be protected. In our direct operations, we use freshwater for product manufacturing, drinking water, in-store food preparation, cleaning, toilets and irrigation. Water use and quality in our supply chain is another important impact area: there are water impacts inherent in the extraction, processing, distribution, use and disposal of the diverse variety of products offered to the company’s customers.

The nature and intensity of these water impacts vary by the business area. For example, in our stores and distribution centers, water intensity is relatively low because water use is largely limited to “taps and toilets.” In our manufacturing plants, however, water intensity can be relatively high because of production processes involving water. Collectively, our facilities consumed approximately 6.9 billion gallons of water this last year.

## WATER RISK ASSESSMENT

In 2018, Kroger responded to the CDP Water questionnaire for the first time. We conducted a water risk assessment across our portfolio of facilities to understand if there was substantive water risk present in our facilities. Using the World Resources Institute’s Aqueduct Tool, we evaluated our facilities for location-based water risk across several impact areas – such as physical quantity, physical quality, regulatory and reputational risks. We then combined this overall water risk factor from the Aqueduct Tool with a site-to-total water withdrawal intensity ratio metric and a water-withdrawal-per-square-foot ratio metric to ultimately determine which facilities are subject to water stress and risk, and at what level of risk.

While the analysis indicated that Kroger does have facilities operating in regions with a defined level of water stress, the total percentage of facilities is less than 10%. Thus, overall, we consider ourselves low-risk for water withdrawal risks.

[REVIEW OUR MOST RECENT CDP WATER DISCLOSURE ON THE CDP WEBSITE.](#)



FEATURE STORY

## AWARD-WINNING WATER CONSERVATION

In early 2019, Fry's Food Stores was recognized for excellence in water reduction and management by the City of Glendale, Ariz. The Mayor of Glendale bestowed the Water Awareness Proclamation to Kroger and two additional organizations to recognize our work in water conservation as part of the Glendale Water Efficiency Partner Program. This award recognizes the efforts of our engineering, plumbing and technician teams, who work diligently to implement projects aimed at reducing water consumption in our stores, particularly in arid regions like the southwest United States.



## HOW WE MANAGE WATER

At Kroger, we manage our water impacts through goals and commitments focused on water efficiency.

### 1. We set a goal to reduce water consumption by 5% by 2020 in our supermarkets, using 2015 as a baseline year.

By 2018, Kroger supermarkets had achieved a 2.2% reduction in water usage from the 2015 baseline, which represents approximately 95 million gallons saved. We have started to roll out a 5-point water savings plan in our retail divisions, with notable water savings already being realized.

### 2. Kroger Manufacturing sets annual goals to reduce water usage intensity by 3% (water consumption per unit produced) across all our plants.

In 2018, Kroger Manufacturing sites saw a collective 3.44% increase in water intensity (total water consumption increased by a lower amount: 0.58%). The increase in the normalized metric is in part due to a reduction in volume produced by the plants.

In pursuit of these goals, our engineering teams and associates continuously review our processes and operations to identify water reduction opportunities that are relevant to operations and we evaluate these opportunities to consider environmental and financial benefits and costs. In 2018, our supermarkets continued to focus on reducing water usage in our restrooms, food preparation and Starbucks kiosks. Over 150 stores implemented projects in these departments in 2018, saving over 25 million gallons of water annually.

The Facility Engineering team also piloted new water efficiency projects in 2018 that have shown promise for reducing water consumption. In two stores in the western part of the country, we have installed adiabatic cooling technology, which uses a different technique to cool refrigeration systems: it runs water through a pad rather than running it over the system's coils. This advanced technology can achieve up to a 60% water reduction. In another store in the South, we have retrofitted irrigation sprinkler heads, saving 30% in water usage. Currently, approximately 600 Kroger stores have irrigation systems installed, and we plan to install the retrofit in about half of these in 2019.

Our Manufacturing Engineering team partners with our local site leaders, Sustainability Champions and associates to identify and evaluate opportunities to gain efficiencies in our production processes, including for water usage and management. They have evaluated diverse opportunities like optimizing cleaning-in-place processes, reusing rinse water to clean truck tanks and recovering steam condensate from hot processes such as pasteurizers, steam proof boxes and heat exchangers. In 2018, we conducted a focused water audit program – a total plant assessment – in several plants to find new opportunities to reduce water consumption.

Our Supply Chain team implements water reduction and efficiency opportunities as they arise and make sense for the business. Despite relatively low water use, our distribution centers further reduce their water usage with low-flow water faucets and fixtures.



About  
Kroger

About This  
Report

Zero Hunger |  
Zero Waste

Our Customers &  
Communities

Our People

Our Planet

## Our Products

Better-for-You Products

Sustainable Product Packaging

Responsible Sourcing

Supply Chain Accountability

Food Safety

GRI Index

2018 Awards



# Our Products

We recognize that our customers have high expectations of the products we sell, including from the perspective of environmental and social impacts, food safety and animal welfare. As a result, we offer our customers thousands of sustainably-produced and health-conscious products in our stores and through our ecommerce channels, including our own Simple Truth® brand.

Kroger has several goals and programs in place to advance sustainability, responsible sourcing, supply chain accountability and food safety in our products and supply chain. Several of our 2020 Sustainability Goals focus on responsible sourcing.

We drive progress on these goals through stakeholder engagement, commitment to continuous improvement, benchmarking and sharing of best practices, and reporting.

# Highlights



**9,000+**

**MORE THAN 9,000** ORGANIC ITEMS CARRIED IN OUR STORES

**\$2.6B**

**\$2.6 BILLION** IN SPENDING WITH SUPPLIER INCLUSION INITIATIVES

**\$17.6B**

**\$17.6 BILLION** IN NATURAL AND ORGANIC PRODUCT SALES

**\$2.3B**

SALES OF SIMPLE TRUTH® AND SIMPLE TRUTH ORGANIC® PRODUCTS REACHED **\$2.3 BILLION** IN 2018

**88%**

**SOURCED 88%** OF WILD-CAUGHT FRESH AND FROZEN SEAFOOD IN OUR SEAFOOD DEPARTMENT FROM SUSTAINABLE SOURCES

**9.1M+ LBS**

REMOVED **MORE THAN 9.1 MILLION POUNDS** OF PLASTIC RESIN FROM OUR BRANDS PRODUCT PACKAGING

**17.1M+**

PURCHASED **MORE THAN 17.1 MILLION POUNDS** OF FAIR TRADE-CERTIFIED INGREDIENTS FOR OUR BRANDS PRODUCTS

**34,000+**

IN 2018, WE TRAINED MORE THAN **34,000** HOURLY ASSOCIATES IN BASIC FOOD SAFETY THROUGH WEB-BASED LEARNING PROGRAMS



## PRODUCTS

# Better-for-You Products

2019  
SUSTAINABILITY  
REPORT

Kroger customers are rapidly adopting healthier lifestyles that benefit from 'better-for-you' products that align with their personal goals and values. Stakeholders like investors and non-governmental organizations take interest in how we are accommodating and encouraging customers' shifting demands for products that are 'free from,' support better health and are sourced using more sustainable inputs.

Kroger is quickly becoming a top destination when customers are looking for affordable and accessible organic and natural foods. Today, all stores carry a natural and organic product assortment with more than 2,200 of our stores carrying natural and organic products across all departments. On average, stores carry about 4,000 natural and organic items. We continue to be one of the largest natural food retailers in the U.S. by sales volume: natural and organic product sales reached \$17.6 billion in 2018.

We present this assortment in different ways across the store – from the organic sections of our produce departments to the Live Naturally sections in our Grocery assortment that are either stand-alone departments or integrated throughout the store. In the Grocery section, customers can identify these products by looking for the Live Naturally on store signs and on shelf tags. We promote these products to our customers throughout the year, as well as through special events like our *Sustainability Lives Here* promotion. We offer a Live Naturally magazine to share new products, ideas and information about these products with our customers.

## DEFINING NATURAL AND ORGANIC

Many of our customers care as much about what's not in their food as what is in their food, beauty and other products. As a result, Kroger has defined strict ingredient standards for our natural and organic products: these products must exclude more than 100 ingredients, flavors and preservatives that our customers tell us are undesirable. We have developed these 'free-from' lists for Food, Non-food and Health and Beauty products. Many of these products are also organic and non-GMO, and several also carry third-party certifications that convey social and environmental responsibility in the products and the companies that produce them. We regularly review our natural and organic strategy to identify needed updates to reflect category-specific trends.

## ORGANIC AND NON-GMO ASSORTMENT

We offer a wide variety of certified organic products in our stores, such as produce, dairy, meats, beverages and center store items like coffee and tea, grains, canned goods, sauces and snacks. In fact, we carry more than 9,000 organic items in our stores and achieve more than \$1 billion in annual sales of organic produce, thanks to partnerships with our hundreds of organic produce growers and suppliers.

Kroger Manufacturing currently operates several certified organic processing facilities, including:

- Anderson Bakery in Anderson, S.C., which produces Simple Truth Organic® breads & buns
- Clackamas Bakery in Clackamas, Ore., which produces Simple Truth Organic® breads & buns
- Heritage Farms Dairy in Murfreesboro, Tenn., which produces Simple Truth Organic® milk, Simple Truth Organic® Greek Yogurts and Simple Truth Organic® orange juice
- Hunter Farms Dairy in High Point, N.C., which produces Simple Truth Organic® ice cream
- Hutchinson Dairy in Hutchinson, Kan., which produces Simple Truth® ultra-pasteurized organic milk and Simple Truth Organic® milk
- Indianapolis Bakery in Indiana, which produces Simple Truth Organic® breads & buns
- Kenlake Foods in Murray, Ky., which produces Kroger Simple Truth Organic® nuts and oatmeal
- La Habra Bakery in La Habra, Calif., which produces Simple Truth Organic® breads & buns
- Mountain View Foods in Denver, which produces Simple Truth Organic® milk and creamers
- Pace Dairy – Crawfordsville in Crawfordsville, Ind., which produces Simple Truth Organic® cheese
- Pace Dairy – Rochester in Rochester, Minn., which produces Simple Truth Organic® cheese
- Pontiac Foods in Pontiac S.C., which produces Simple Truth Organic® coffee and spices
- Riverside Creamery in Riverside, Calif., which produces Simple Truth® Organic milk
- Swan Island Dairy in Portland, Ore., which produces Simple Truth® Organic milk
- Tamarack Farms Dairy in Newark, Ohio, which produces Simple Truth Organic® milk and yogurts

Customers seeking to avoid GMOs can choose from the many products we carry that are certified to be non-GMO. They can also consider certified organic products because since the National Organic Program standards do not allow GMOs in the production of organic products.

Kroger aims to drive awareness about our organic products and make them even more accessible to our customers. In 2018, we promoted organic items in our store in partnership with 38 brands, including Kroger’s own Simple Truth Organic® brand. Event promotion, digital coupon savings and online educational content about the health and environmental benefits of consuming organic products helped elevate our customers’ awareness of these products.



Annie's High-Protein Macaroni & Cheese product represents a direct partnership with four farmers who are leaders in implementing regenerative agriculture practices like diverse crop rotations and planting cover crops to enrich and protect the soil.

SUPPLIER SPOTLIGHT

## SUPPLIER PARTNERS ARE SUPPORTING REGENERATIVE AGRICULTURE

Regenerative agriculture helps shift the paradigm in our food system. Regenerative practices like cover cropping and diverse crop rotations optimize the use of Earth's natural solar energy, water cycles and nutrient cycles to build healthy soil, foster biodiversity and enhance economic resilience for farmers. It also offers a hopeful solution for addressing climate change through its potential to sequester carbon in the soil and reduce greenhouse gas emissions in the atmosphere. These farming practices represent an opportunity to not only reduce harm, but to truly generate positive impact.

Kroger supplier General Mills, whose brands include Annie's, Cascadian Farms, EPIC Provisions and Muir Glen, has committed to advance regenerative agricultural practices on 1 million acres by 2030. They define regenerative agriculture as practices that prioritize soil health, biodiversity and economic resilience for growers. They are bringing their commitment to life by partnering with farmers in key sourcing regions, advancing partnerships with researchers and non-profits, and educating and inspiring the industry and consumers through external engagement.

## INNOVATION AND EMERGING TRENDS

Our natural and organic product assortment is always evolving to meet customer demands. In 2018, innovation continued to play a significant role in our natural and organic business, as we added more than 1,300 items across more than 250 brands that met our natural and organic definition. Our embedded expertise and external engagement both drive innovation in our product assortment.

### Internal Innovation Expertise

Several groups contribute to our innovation development: our Culinary Innovation Center, our Innovation Center of Excellence and the *Our Brands* innovation team. The customer insights expertise of our 84.51° team further inform our approach to innovation. Through these channels, we keep our finger on the pulse of food trends and innovation opportunities, and share these with our customers in the form of new product launches and resources, such as our annual food trends list. [Learn more.](#)

### Natural Products Expo West Trade Show

Kroger brought more than 30 representatives to the 2019 Natural Products Expo West Trade Show in Anaheim, Calif., to ensure we keep track of new trends and brands in the natural products industry. Attending the event gives Kroger access to thousands of suppliers, while our two special events help us create and expand partnerships with key suppliers. Our First Pitch event offers brands the unique opportunity to present innovative and trending products to the company's category managers, buyers and merchandising leaders. Along with providing real-time feedback on products, Kroger invited three standout brands from the First Pitch to our next Natural Foods Innovation Summit in Cincinnati. Meanwhile, more than 500 participating brand representatives attended our Vendor Town Hall to hear Kroger experts discuss consumer trends and profiles, retail insights, merchandising and marketing tactics, nutrition and more.

### Natural Products Innovation Summits

In 2018, Kroger hosted a total of three Natural Foods Innovation Summits in Cincinnati in February, July and November. These summits bring several new brands to Kroger's Merchandising and *Our Brands* teams. Since launching the inaugural Summit in 2017, Kroger has engaged more than 300 small businesses in these events. These events have featured a variety of inspiring and experienced speakers, such as Justin Gold, an accomplished, innovative entrepreneur and founder of Justin's®, a natural and organic nut butters brand, and Dr. James Rouse, naturopathic doctor, award-winning author, media personality and speaker. We are hosting three Natural Foods Summits in 2019.

## SIMPLE TRUTH® AND SIMPLE TRUTH ORGANIC®

Our natural and organics store brands, Simple Truth® and Simple Truth Organic®, reached \$2.3 billion in annual sales in 2018. The Simple Truth® and Simple Truth Organic® product lines have clearly defined product standards to distinctly communicate to shoppers what they do or do not include – our ‘Free From’ commitment. The Simple Truth® brand offers more than 1,550 unique products across multiple categories, including grocery, meat, produce, deli, bakery, baby, household essentials, and personal care. In fact, it has become the second largest brand sold in our stores, and Kroger has led the way in making this category more mainstream and accessible for customers.

For example:

- Our Simple Truth Organic® line is all certified to the USDA Organic standard. We are also planning to launch fresh peaches certified to the Transitional Organic standard to support suppliers that are making the positive move to become certified Organic.
- We have more Fair Trade-certified products than any other U.S. private-label brand and purchased more than 17.17 million pounds of certified ingredients in 2018.
- We continue to expand our paper-based products, which are Forest Stewardship Council-certified, and have included more sugar cane-based products. Many of these products are also BPI-certified to be compostable.
- In 2018, we continued expanding our Simple Truth® and Simple Truth Organic® vitamin and supplement line to include nine new products and two reformulations. We also updated how these products are displayed in our stores so that they are more readily visible and available. All our Simple Truth® and Simple Truth Organic® vitamins are non-GMO.
- Last year we launched Simple Truth® products on Alibaba’s Tmall in China, as a first foray into selling our products internationally.
- Our growing assortment of plant-based products help customers adopt planet-friendlier options.

## SIMPLE TRUTH® AND FAIR TRADE

In the last year, Kroger’s Simple Truth® brand has continued to build its portfolio of Fair Trade Certified™ products, with 56 total certified products now spanning the coffee, cocoa, tea, spices, herbs, coconut, agave, sugar and vanilla commodity categories. We continue to be the leading private-label line in terms of number of Fair Trade Certified products. And in fact, we are the largest purchaser of Fair Trade Certified coconut in the world.

Fair trade helps ensure responsible practices and safe, healthy working conditions on the farms where products are grown. For every product sold, the labor force earns an additional amount of money that goes into a farm worker-controlled Community Development Fund at origin. From there, farm workers decide together how to spend their funds to improve their lives and meet their unique social, economic and environmental needs.

Through our commitment to supporting sustainable livelihoods for the farmers, workers and fisherman who produce these products, we grew the amount of certified ingredients we purchased in 2018 to more than 17.17 million pounds and in turn directed nearly \$850,000 to support community development in our supply chain – more than doubling the amount of community support we provided the previous year. These funds support investments in projects such as clean water, nutrition programs, health clinics and farmer training.

In 2018, we launched 21 new Fair Trade Certified Simple Truth® products. This included our first non-food products (castile soaps and lip balms), fruit snack

products – the only Fair Trade Certified fruit snacks in the world – and sparkling coconut water, as well as extensions of existing products like coffee and coconut oils.

Since our last report, Kroger participated in two origin trips to our supply chain regions to strengthen our relationships with our suppliers and to reinforce our commitment to support them via Fair Trade. We visited coffee regions in Jaen, Peru, as well as tea growing regions in Rwanda and herb-growing regions in Egypt, both of which go into our tea products. In Rwanda, we also celebrated Kroger’s contribution to the expansion of pre-school education and the school feeding program at our supplier’s facilities.





## PLANT-BASED PROTEIN ALTERNATIVES

Increasing plant-based meat alternatives is a priority for Kroger in the coming years. There is a growing demand for these products as customers continue to seek out more natural and health-promoting products. Diversifying our product assortment to include more plant-based products also has the potential to decrease environmental impacts in our supply chains because the production of plant-based ingredients can have lower climate, energy and water impacts.

Our natural and organic merchandising strategy focuses on expanding the types of products that our health-seeking and environmentally-minded customers are looking for, including plant-based meat alternatives. For example, the Beyond Meat product that is currently carried in Kroger's fresh meat case has shown great adoption by our customers, and we continue to expand offerings under this brand. Other parts of the store where we have focused these expansion efforts are soups and broths, frozen entrees and refrigerated items.

In addition, Kroger's *Our Brands* team continues to evolve the private-label assortment available to our customers, with several plant-based products being featured in our Simple Truth® and Simple Truth Organic® product lines. Kroger is also increasingly leveraging its Culinary Center to develop innovative product ideas, including in the plant-based product categories.

We make these alternatives highly visible to our customers: we integrate plant-based protein into traditional category displays, include them in product promotions by Kroger and our national brand partners, and educate consumers about relevant diets – such as heart-healthy or vegan diets – in our Wellness Your Way health and nutrition platform.



## PRODUCT LABELING

We care about the integrity and safety of the food we provide to our customers. We follow food safety best practices in our stores, manufacturing and distribution facilities to ensure we are protecting quality and safety. We also require our suppliers to meet all relevant safety and quality regulatory requirements for the ingredients and products they provide to us. We align with FDA nutrition labeling requirements, including menu labeling, so customers can have full visibility into their product ingredients and characteristics. Finally, we understand that many customers also want to know what's not in the products they purchase from us and, as a result, we align with allergen food labeling policies.



## PRODUCTS

# Sustainable Product Packaging

The environmental impacts of single-use product packaging, particularly of plastic packaging, have become increasingly important to our stakeholders, including investors, environmental groups and our customers. We share their concern and consider packaging sustainability a core tenet of our Zero Hunger | Zero Waste social impact plan – and something to which we are dedicating considerable resources as a company.

By following the reduce, reuse then recycle hierarchy, we are working to decrease the environmental impacts of our product packaging. Our key priorities include reducing unnecessary packaging, increasing the recyclability of our packaging and increasing the amount of recycled content in our packaging – while supporting our communities in building better recycling infrastructure and giving our customers options for recycling.

We are making steady progress toward our [2020 sustainable packaging commitments](#). At the foundation of our efforts is baselining our current packaging footprint to understand in detail the environmental impacts of our packaging across the *Our Brands* product portfolio. To date, our packaging commitments and improvement efforts have focused on the products we manufacture at our own plants; however, we plan to expand our work to include all *Our Brands* products. In parallel to our data tracking efforts, we continuously seek opportunities to improve the sustainability of our packaging.

## PACKAGING REDUCTION

We are making excellent progress on our goal to implement 10 million pounds of plastic resin reduction (or light-weighting) used in Kroger-manufactured products. By the end of 2018, we achieved more than 9.1 million pounds of resin reduction. By May 2019, we rolled out our new lighter-weight milk jugs (we reduced the weight per jug by 10%) to all 15 dairy processing plants that produce milk.

## REUSABLE PACKAGING

We are committed to harnessing innovation to achieve our zero-waste vision. Customers are increasingly concerned about the environmental impacts of single-use plastics and packaging and are seeking more sustainable options. In May 2019, the revolutionary circular packaging platform Loop launched in the U.S. with Kroger as the exclusive grocery retailer partner. Starting as a pilot in the states of New York,



FEATURE STORY

## REDUCING UNNECESSARY PACKAGING FOR GENERAL MERCHANDISE

We are working to streamline product packaging for our general merchandise products that we sell in our Fred Meyer division and Kroger Marketplace store formats. Our table-top product displays are open-stock to avoid individually-wrapped items, and we use minimal packaging on our textile products. We also switched our hanger materials to be more readily recyclable by our recycling vendors.

To reduce the amount of packaging we receive in shipments and to move to materials that are more consistently recyclable, we are identifying sustainable packaging standards and solutions for our vendors. Most recently, we minimized individual wrapping of clothing pieces during shipment, greatly reducing the amount of plastic film entering our distribution center and stores.

New Jersey, Pennsylvania, Maryland and District of Columbia, Loop offers customers many of the popular consumer goods products they already know and love in durable, refillable packaging. Read more about Kroger's partnership with Loop and how the system works in the [Zero Hunger | Zero Waste](#) section of this report.

## PACKAGING RECYCLABILITY AND RECYCLED CONTENT

We understand that improving recyclability of our single-use packaging will be a result of both product redesign and recycling infrastructure improvement. As a result, we keep in close contact with our supplier and sourcing partners to keep track of innovations that increase packaging recyclability. We are also evaluating multi-stakeholder initiatives focused on improving recycling infrastructure so we can contribute to scalable solutions to create new and improved materials recovery streams.

In addition, we are prioritizing the inclusion of more recycled content material in our packaging – to drive demand for recycled materials and 'close the loop.' In fact, our goal is to achieve 20% recycled content in the packaging of *Our Brands* products that we manufacture in our plants. We are currently calculating our progress on this goal as part of assessing our packaging footprint. In parallel, we are also identifying products that are good candidates for recycled content material, particularly in plastic packaging. An example is the plastic clamshells used in our in-store Bakery departments, which contain at least 25% recycled content. We will also launch recycled content packaging for select dairy products later in 2019. Meanwhile, our paper, aluminum, steel and glass packaging tends to contain more recycled content due to better established recycling markets for these materials.

## CERTIFIED FIBER PACKAGING

Kroger uses paper packaging in such product categories as crackers, cookies, oatmeal, ice cream, baked goods and beverage cartons. Our goal is to increase the amount of fiber certified to three sustainable forestry standards: the Forest Stewardship Council, the Sustainable Forestry Initiative and the Programme for Endorsement of Forestry Certification. At present, the majority of paper packaging items sourced into our Manufacturing plants meet one of these standards.

## AWARENESS AND COMMUNICATION

For several years, we have added 'Please Recycle' to relevant *Our Brands* packaging to help our customers participate more in recycling programs. We have added this language across many of our relevant product categories, including packaging that is eligible for our front-of-store film recycling program, and continue to do so. This front-of-store program accepts a variety of materials like grocery shopping and produce bags, bread bags, inner cereal box liners and overwrap film on plastic water bottles, diapers and household tissue products. See full list on next page.



**FEATURE STORY**

**PLASTIC FILM RECYCLING**

Many of Kroger’s plastic packaging items are recyclable in the plastic film recycling containers in our store lobbies. The collected items are recycled into new items, like composite lumber and decking.

We accept the following items in our plastic film recycling program:

- Single-use plastic grocery bags
- Stretch wrap
- Bread bags
- Produce bags
- Plastic overwrap for toilet paper, napkin and paper towel wraps
- Plastic overwrap packaging on diapers
- Plastic overwrap on bulk items in cases (e.g., water bottles, snacks)
- Dry cleaning bags
- Plastic retail bags (hard plastic and string handles removed)
- Newspaper sleeves/bags
- Plastic food storage bags (clean and dry) – (e.g. Ziploc® Bags)
- Plastic cereal box liners (do not include if it tears like paper)
- Tyvek® housewrap (no glue, labels, other material)
- Plastic shipping envelopes, bubble wrap, and air pillows (deflate/ remove labels if possible)
- All clean, dry bags labeled #2 or #4 (polyethylene film)

**SUSTAINABLE E-COMMERCE PACKAGING**

In 2018, Kroger launched Ship, our new service to ship products directly to our customers’ homes. The packaging materials used for Ship are the same that we have used for our Vitacost.com business for several years. Our shipping boxes are made from 50% recycled-content cardboard, which is also widely recyclable. We use a few different options to protect and cushion items in the boxes, such as Forest Stewardship Council certified, recyclable paper materials or, when needed, low-density polyethylene film plastic protectant film that can be recycled in our front-of-store plastic film recycling program. We strive to make it easy for our customers to make sustainable choices, even at home.



**PLASTIC ALTERNATIVES**

In 2018, Kroger’s Simple Truth® product line continued to expand its offering of servingware to include non-plastic platters, bowls and straws. All Simple Truth® paper-based items are certified to the Forest Stewardship Council standard for responsible fiber. We also have several items certified to the Biodegradable Products Institute’s standard for compostable products, meaning they can be successfully converted to compost, a valuable soil additive, in commercial composting facilities.





## PRODUCTS

# Responsible Sourcing

GRI 103-1, 103-2, 103-3, 414-1

Given our scope and scale as a grocery retailer, we are committed to reducing the social and environmental impacts in our supply chain by using responsible sourcing practices. In fact, our stakeholders have signaled this as one of the most material sustainability topics for Kroger. The goals of our responsible sourcing program are to mitigate risks and negative impacts and to drive positive change.

We develop our responsible sourcing priorities and policies by evaluating risk; engaging with investors, industry groups, non-governmental organizations and subject matter experts, among others; monitoring emerging trends, regulations and policies; tracking consumer expectations and preferences; and consulting with sourcing and other leaders in our business.

Establishing commitments and policies is done collectively by multiple internal functions and leaders, including but not limited to Ethics and Compliance, Sustainability, Sourcing, Corporate Food Safety, Merchandising and *Our Brands*. We use governance, accountability and compliance mechanisms to ensure that suppliers are aligning with our objectives. And finally, where collaboration is needed to move the needle on an industry-wide issue, we engage with relevant partners, such as non-governmental organizations, industry groups, multi-stakeholder collaboratives, and other subject matter experts to identify pre-competitive solutions.

Our [Responsible Sourcing Framework](#) provides additional description of our approach to responsible sourcing, including a summary of all our major policies and commitments. In the pages that follow, we discuss key commitments and initiatives in our responsible sourcing framework in more detail and our progress in the past year.

## KROGER VENDOR CODE OF CONDUCT

Our customers trust that the products we bring to market are sourced from reputable suppliers who provide safe and fair working conditions for their workers. We share this concern for human rights, as articulated in our [Statement on Human Rights](#). All suppliers that provide products for our company, including *Our Brands* products, must maintain safe and fair working environments for their workers at these facilities and meet all other requirements of our [Vendor Code of Conduct](#). We have a Zero Tolerance policy for human rights violations like child and forced labor, discrimination and bribery. If suppliers (or their suppliers) do not live up to our Code, we will not do business with them.

This Vendor Code of Conduct, which takes into consideration the U.S. Department of Labor regulations and the Fair

Labor Standards Act, is reviewed regularly to ensure it stays aligned with industry best practices, addresses investor concerns and emerging issues and is approved by the Audit Committee of the Kroger Board of Directors. As discussed further in the [Supply Chain Accountability](#) section of this report, we validate and confirm the expectations outlined in our Code of Conduct through onsite Kroger Social Responsibility Audits.

We recognize the value of industry collaboration to streamline social accountability programs and reduce supplier burden. To that end, we continue to be closely involved with the Joint Committee on Responsible Labor Practices, formed by the Boards of United Fresh Produce Association (United Fresh)

and Produce Marketing Association (PMA) in 2015. In the past three years, a coalition of representatives from Kroger and other retailers, along with produce suppliers and growers, have participated in various meetings and calls, which resulted in an Ethical Charter for Responsible Labor Practices for the industry. This document outlines the values of the signatories and the principles that provide a framework of the responsible labor practices expected in our supply chains. The work of the Joint Committee is ongoing, with Kroger representatives involved in task forces that will collaborate with multiple stakeholders to continue the development of the action plan to support the Ethical Charter.

Kroger does not conduct animal testing on our manufactured *Our Brands* products and ingredients, nor do we require or request that our contract suppliers conduct animal testing on products they produce for us. We are supportive of the transition away from unnecessary animal testing to alternative methods of testing product safety.

## ANIMAL WELFARE REQUIREMENTS

Kroger has a long-standing commitment to responsible business practices, including the humane treatment of animals, as articulated in our [Animal Welfare Policy](#). We are not directly involved in raising or the processing of any animals. We do require our suppliers to adopt industry-accepted animal welfare standards that we endorse, and we monitor our suppliers for compliance with these standards. We align with the Food Marketing Institute's (FMI) industry-reviewed animal welfare standards for the following animal proteins: beef, pork, chicken, turkey and eggs. We engage our key suppliers regularly to communicate our requirements, to ensure they are meeting these requirements, and to partner with them on continuous improvement opportunities.

For the last decade, we have convened our own independent panel of animal science experts to make recommendations on how we can work with the industry to improve animal welfare. These experts meet to review our suppliers' compliance with the standards we outline in our animal welfare policy and provide updates on the latest trends in animal husbandry and animal welfare. We also engage our vendors to evaluate emerging and evolving topics and partner to adopt new practices.



Kroger's Simple Truth® meat products are all free of antibiotics

## Animal Welfare Commitments and Positions

- **Cage-free eggs:** We realize the importance of animal welfare in our supply chains and, as a result, we established a goal to transition to a 100% cage-free egg supply chain by 2025. By 2018, the percentage of eggs we sold that met or exceeded cage-free requirements increased to 23.4%.
- **Gestation crate-free sow environments:** For several years, we have been committed to moving our pork suppliers away from the use of gestation crates for sows to open housing environments. In 2018, we made a commitment to source 100% of fresh pork from suppliers who have transitioned all their self-operated and contracted farms away from gestation crates by 2025. To date, nearly half of Kroger's fresh pork supply chain has transitioned away from gestation crates.
- **Dairy cow welfare:** Kroger requires that all milk and dairy product suppliers that supply our dairy processing plants and grocery assortment are enrolled in The National Dairy FARM Program: Farmers Assuring Responsible Management™, which provides consistency and uniformity of best practices in animal care and quality assurance in the dairy industry. In 2018, 100% of the dairy farms supplying Kroger continued to meet this requirement.
- **Polled dairy cows:** We recognize the value of polled genetics for reducing the need for dehorning and disbudding in dairy cows and support a transition to polled cows in a manner that is prudent. Currently, the population of polled dairy cows is very small. While this number is certainly increasing, any significant change in herd genetics should be pursued deliberately and slowly to avoid unintended negative consequences that may affect the cow's welfare and milk production. Our dairy experts and animal welfare specialists counsel us that in time, there will be more hornless dairy animals available to breed, but that it is a longer-term process. In the meantime, we support the proper pain management protocols recommended by The National Dairy FARM Program.
- **Antibiotic-free meats:** Kroger is leading the industry with our offerings of antibiotic-free meats. In addition to several national brands, our Simple Truth® meat products are entirely antibiotic-free.



In 2018, Kroger launched a new line of Simple Truth® pasture-raised eggs to meet our customers' increasing demand for cage-free eggs. In fact, all Simple Truth® eggs are cage-free.



**SPOTLIGHT**

## **DAIRY INDUSTRY RECOGNIZES KROGER'S ZERO WASTE INITIATIVE**

In 2018, the U.S. Center for Dairy Innovation recognized Kroger Manufacturing's zero waste initiatives with the Outstanding Dairy Processing and Manufacturing Sustainability Award. This industry-supported award acknowledged Kroger's commitment to eliminate waste across the company – part of our Zero Hunger | Zero Waste social impact plan.

The award recognized the dedication of Kroger's manufacturing plants – particularly our dairy processing plants – to achieving and maintaining zero waste to landfill (which we define as 90% of waste diverted from landfill).

## **RESPONSIBLY SOURCED MILK AND DAIRY**

Kroger is both a retailer and processor for many dairy products. We operate 19 milk processing plants across the U.S. that produce a variety of products, including fluid milk, fresh cream, yogurt, ice cream, cottage cheese and sour cream. We are committed to producing and selling the highest quality, freshest, most sustainable dairy products available.

Our dairies processed more than 509 million gallons of milk and more than 211 million pounds of cheese for our customers in 2018. We receive our raw milk from nine dairy cooperatives that represent local dairy farmers across the United States.

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

We require that the dairy co-ops that supply us are enrolled in The National Dairy FARM Program: Farmers Assuring Responsible Management™, which provides consistency and uniformity of best practices in animal care and quality assurance in the dairy industry. Kroger continues to source 100% of farm milk, butter, cheese and other dairy ingredients we process from dairy farms that are enrolled in the FARM Program and are committed to continuous improvement through this program.

To achieve our commitments and contribute to the continuous improvement of dairy sustainability, we are an active partner of the Innovation Center for U.S. Dairy, serving on the Board of Directors and on various working groups. We also serve as an Industry Advisor Board member to Dairy Management Inc.™, the organization that founded the Innovation Center.





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## SUSTAINABLE SEAFOOD

For over a decade, Kroger has worked to improve the environmental sustainability of our seafood through sustainable seafood commitments, expert partnerships and sourcing decisions. Like us, our customers recognize the importance of preserving the variety of fish we enjoy today for future generations. Our sustainability, sourcing and expert partners work closely to advance our progress toward our 100% sustainable wild-caught and farm-raised responsible seafood commitments.

### Industry and Stakeholder Engagement

- Kroger has collaborated with World Wildlife Fund (WWF) for many years to guide our sustainable seafood initiative, particularly for wild-caught seafood. WWF works in 100 countries and brings global expertise in advising Kroger on how to best achieve our goals and support ocean conservation by identifying trends, issues and opportunities around the world. Through this partnership, we have defined our sustainable sourcing commitments, directed our purchasing decisions to better sources, and supported industry efforts to innovate and move the needle on sustainable fisheries practices.
- Kroger is a Funding Partner of the Global Sustainable Seafood Initiative (GSSI). GSSI is the global public-private partnership working toward more sustainable seafood for everyone. GSSI brings together 90+ stakeholders industry-wide to align global efforts and resources to address the latest seafood sustainability

challenges. GSSI's Global Benchmark Tool provides formal recognition of seafood certification standards that successfully complete a rigorous and transparent benchmark process, which is underpinned by guidelines from the Food and Agriculture Organization of the United Nations (FAO). This added level of assurance helps purchasing companies better evaluate different standards and have confidence in the seafood they source. Currently, four aquaculture and four wild-caught seafood standards have successfully been benchmarked against the Global Benchmark Tool and achieved recognition, and others are in the benchmarking process.

- Kroger has a long-standing commitment to only source tuna from fisheries that are participating members of the International Seafood Sustainability Foundation (ISSF), which creates science-based solutions for tuna fisheries worldwide.



© WWF-US

### FEATURE STORY

## KROGER SUPPORTS FISHERIES AND FARMS MAKING PROGRESS

We believe in supporting fisheries through sourcing and funding their progress through the certification process. Ecuador's mahi mahi fishery is one of its most ecologically and economically valuable artisanal fisheries – in fact, the fishery is a top exporter to the U.S. In addition to providing nutrition for people, mahi mahi are an important part of the diet for many marine wild-life species.

In early 2019, the fishery entered the Marine Stewardship Council (MSC) full assessment process. Progressing to full MSC certification should take 18 months to complete, and Kroger's partner WWF will be providing technical support to the fishery during the process.



FEATURE STORY

## KROGER SUPPORTS RESPONSIBLE FARMED SALMON PRACTICES

Nearly 90% of the world's wild fisheries are harvested up to or beyond their biological limits and are incapable of sustainably yielding more seafood. Yet the global population – and the demand for seafood – is increasing. Farmed seafood – called aquaculture – can help meet that demand.

Though wild salmon only exist in the northern hemisphere in places like Alaska, Canada, Scotland and Norway, aquaculture has allowed salmon production to extend globally. Salmon is the second best-selling items in our seafood case and, in fact, farm-raised salmon is a primary source of salmon for our stores.

Since our customers are looking for seafood that has been responsibly raised and harvested, we have a commitment to source 100% of farm-raised seafood from farms certified to standards that have been benchmarked to the Global Sustainable Seafood Initiative (GSSI) benchmarking tool – including the Aquaculture Stewardship Council (ASC), Best Aquaculture Practices (BAP) and GLOBALG.A.P standards. Currently, we source 89% of our farm-raised seafood from qualifying sources. And in fact, 99% of our farmed salmon is from qualifying sources.

As we do for fishery improvement projects (FIPs), we are also supporting aquaculture improvement projects (AIPs) to help the industry progress. AIPs help farms meet the rigorous standards of the Aquaculture Stewardship Council, which covers environmental and social topics, such as water quality, local wildlife, health management as well as safe and fair treatment of workers. The AIP we currently support is in Chile, one of the largest sources of farmed salmon worldwide. Our partner World Wildlife Fund is playing a key role in working with the salmon farming industry in Chile to ensure growth continues to be environmentally and socially responsible.

## SUSTAINABLE SEAFOOD GOALS

- 1. By 2020, Kroger will source: 100% (all species) of wild-caught seafood in our Seafood Department from fisheries that are Marine Stewardship Council (MSC) certified, in MSC full assessment, in comprehensive Fishery Improvement Projects (FIPs), or certified by other GSSI-recognized programs. In addition, Kroger will preferentially source MSC certified wild-caught seafood and, by 2020, Kroger will source at least 90% of its volume from these fisheries.**

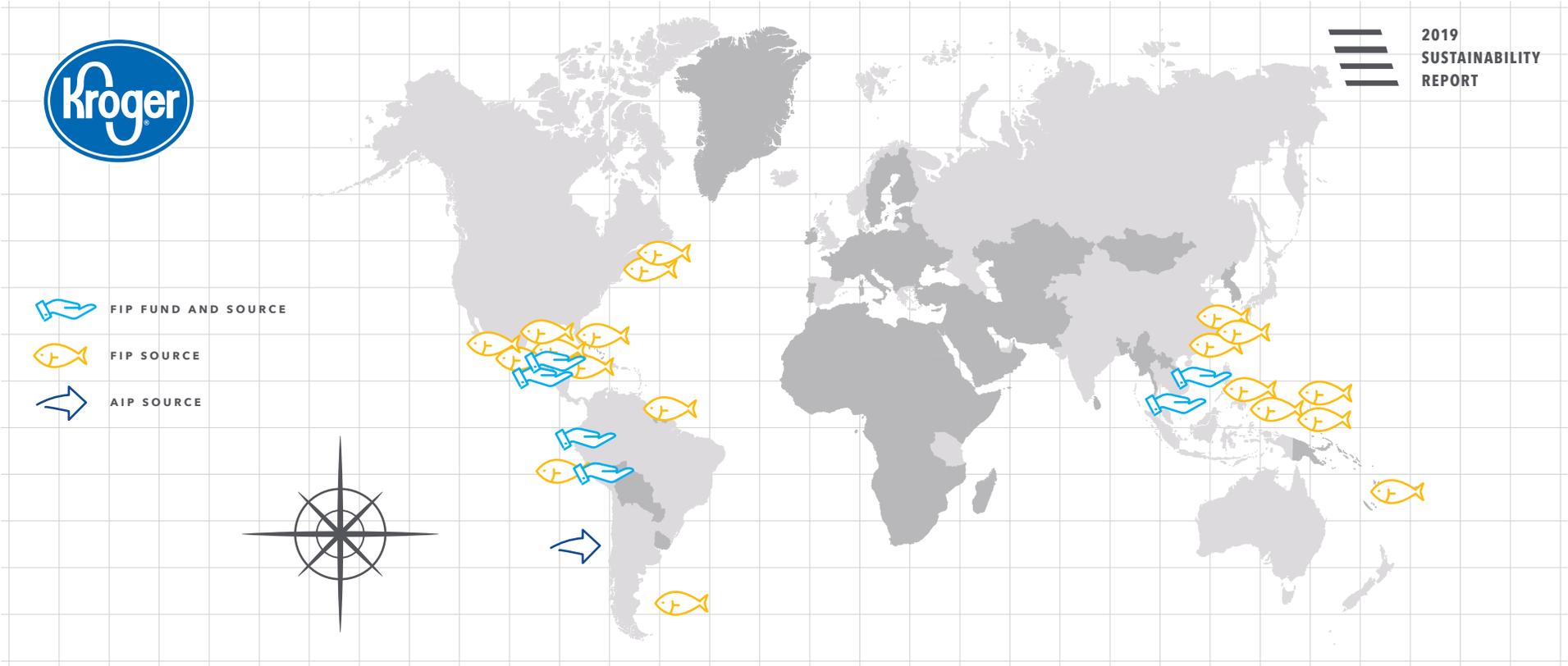
*As of 2018, Kroger is sourcing 88% of our wild-caught fresh and frozen species by volume under these criteria. In addition, 75% of our total volume is coming from MSC certified fisheries.*

- 2. By 2020, Kroger will source 100% of farm-raised seafood in our Seafood Department from farms certified to sustainable seafood certifications and programs recognized by the GSSI.**

*In 2018, 89% of the farm-raised seafood we procured in our fresh and frozen case was from sources certified to a third-party certification scheme recognized by the GSSI. Of our top five farm-raised species by volume – shrimp, salmon, tilapia, catfish and trout – 90% of this volume is certified to the Best Aquaculture Practices (BAP) 2, 3 or 4-star standard; the Aquaculture Stewardship Council standard; or other GSSI-recognized schemes.*

- 3. Kroger will continue to source 100% of shelf-stable Our Brands tuna from companies that participate in the International Seafood Sustainability Foundation (ISSF) tuna conservation program.**

*In 2018, Kroger continued to source 100% of shelf-stable Our Brands tuna from ISSF member companies. We are committed to continuous improvement in this area and review our suppliers' annual compliance audit reports to the International Seafood Sustainability Trade Association (ISSA) to ensure alignment with the conservation measures set out by ISSA.*



### Supporting Fishery Improvement Projects

Foundational to our sustainable seafood commitments is supporting the progression of fisheries through the certification process, starting with the development of Fishery Improvement Projects (FIPs). Comprehensive FIPs offer a step-wise approach for fisheries to reach the Marine Stewardship Council standard. This collaborative effort brings together fisheries, the private sector, government, researchers and NGOs to improve the environmental performance of a fishery. This approach ensures that FIP activities are aligned with regionally-specific interests.

By working with WWF to support comprehensive FIPs – through sourcing, letters to key stakeholders and/or direct funding – Kroger is helping improve the health of the world’s oceans and ensure the long-term viability of fisheries and livelihoods around the globe.

In 2018, there were several noteworthy advancements in the FIPs we support:

- Four fisheries became MSC certified
- Two fisheries moved from Comprehensive FIPs to MSC Assessment

- Three fisheries moved from Prospective or Basic FIPs to Comprehensive FIPs
- Three fisheries moved into Prospective FIPs

In 2018, Kroger supported 25 FIPs and one Aquaculture Improvement Project (AIP), mapped above.

### Purchasing Decisions about At-Risk Species

Sometimes, despite efforts to make fisheries sustainable, there is consensus in science that a species should not be fished at all and needs time to recover. In those cases, we will not source these species from areas at risk. Therefore, Kroger is committed to not source shark, marlin, skates, rays, parrot fish, monk fish, hoki, bluefin tuna, Atlantic cod, Greenland halibut, Argentinian red crab and Jonah crab. We listen to and learn from NGOs with expertise and experience in these areas.



## REDUCING DEFORESTATION IMPACTS

Tropical deforestation is occurring at a rapid rate due to conversion of natural forest landscapes to land used for growing livestock and agriculture. These natural ecosystems provide high environmental and social value, including habitat for diverse animal species, carbon sinks to help absorb excess carbon dioxide from the atmosphere, and long-term livelihoods for human populations living in and near these forests.

Four key commodities top the list of those contributing to deforestation impacts: palm oil, beef, soy, and pulp/paper/timber. 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, we have commitments aimed at addressing deforestation impacts in certain relevant supply chains where we know deforestation could be occurring. In 2013, we adopted a company policy regarding palm oil in *Our Brands* products, through which we committed to purchase only palm oil certified to the Roundtable for Sustainable Palm Oil (RSPO) standards. We continue to work with suppliers to maintain the integrity of this commitment.

In addition, Kroger set a goal to increase the amount of fiber from sustainably managed forests in its paper packaging for *Our Brands* products. We have aligned this goal with three certifying organizations: the Forest Stewardship Council, the Sustainable Forestry Initiative and the Programme for Endorsement of Forestry Certification. At present, the majority of paper packaging items sourced into our plants are meeting one of these standards.

We are assessing our products and suppliers to confirm where we believe deforestation impacts are low or immaterial, starting with raw material ingredients we source. Currently, 100% of the soy we source into

our plants is grown domestically, while the majority of beef in our service meat counters is produced in the U.S.

Because we recognize that deforestation is an important topic to our stakeholders, we have established priorities for 2019 that will reinforce our commitment to reduce the deforestation impacts of *Our Brands* products:

- We will continue to review our deforestation risks for *Our Brands* products, both in raw material sourcing for products we manufacture as well as in finished products that are produced by our suppliers.
- This assessment process will inform a future no-deforestation commitment for *Our Brands* products, which we intend to set by spring of 2020. We will set an interim no-deforestation commitment specific to raw material sourcing by the end of 2019.
- Moving forward, we will commit to sharing information about relevant commodities in our annual Sustainability Report and via the CDP Forests questionnaire.
- We will apply to join the Roundtable on Sustainable Palm Oil (RSPO) this year to reiterate our commitment to source palm oil from sources that are certified to the RSPO standards in *Our Brands* products.

**[PLEASE SEE KROGER'S DEFORESTATION STATEMENT.](#)**

## COMMODITY ASSESSMENT

Kroger is a retail member of The Sustainability Consortium (TSC), which has been focused on establishing science-based key performance indicators (KPIs) for evaluating sustainability in product supply chains for the last decade using input from multiple, diverse stakeholders.

Initially, TSC helped Kroger identify the universe of commodities that we should evaluate as potentially 'high impact' due to social and environmental factors, as well as purchase volumes. In 2016, we initiated work to take a more in-depth look at social and environmental risk in our coffee and cocoa supply chains by leveraging TSC's Commodity Mapping Tool.

We have since partnered with TSC to engage several suppliers directly, using TSC's KPIs in the form of performance assessments across multiple commodities: chocolate, cocoa, coffee, sugar, wheat, corn and soy. These KPIs address five primary impact areas: resources, ecosystems and biodiversity, climate, social well-being, and health and safety.

These initial engagements have resulted in an increased insight into the transparency of our supply chains, i.e., what can our direct suppliers tell us about the sustainability performance of additional tiers 'up the value chain.' The process also allows us to benchmark our scores against industry and other users' averages, and to contribute our suppliers' data to the collective database of supplier results.

## SAFER CHEMICALS

Kroger is committed to managing our products to ensure quality and safety. We set high quality and performance standards for all *Our Brands* products, whether we make them ourselves or use a third-party supplier. Our regulatory compliance and quality assurance programs define product and supplier requirements, such as quality specifications, testing protocols, and reporting and label requirements to ensure that we supply safe, high-quality products for our customers.

During the last several years, the *Our Brands* team has also responded to customers' requests to remove certain ingredients from our products.

- We have reformulated alternatives for our baby products to remove ingredients such as triclosan, quaternium-15, phthalates and parabens.
- All *Our Brands* body washes and antibacterial soaps are triclosan-free.
- In 2018, we removed parabens, phthalates and formaldehyde donors from several Kroger brand health and beauty care items including skin lotions, skin cleansers, sunscreen, oral care and shampoo.
- In 2019, we are slated to introduce reformulated liquid hand wash products that are certified to the U.S. EPA's Safer Choice standard.

This area continues to evolve and *Our Brands* will respond, as further demonstrated by the success and growth of our Simple Truth® brand.

### Bisphenol A

To address any concerns our customers may have about Bisphenol A (BPA) in product packaging, we have been working to limit the presence of BPA in the *Our Brands* portfolio, as outlined in our [statement on BPA](#). As a high priority, Kroger addressed products commonly used by infants and toddlers by notifying suppliers of these items that we would only accept BPA-free offerings in this category. The infant and toddler products in the *Our Brands* portfolio have been BPA-free for the last decade. Another area of focus is canned products. To date, we have transitioned 92% of our products to feasible, non-BPA alternatives – this includes all canned offerings under our Simple Truth Organic® brand – and intend to complete this process by the end of 2020.





FEATURE STORY

## KROGER NURTURES LOCAL SUPPLIER RELATIONSHIPS

Kroger seeks to grow strong and ongoing relationships with our suppliers. One of these enduring relationships is with Sterino Farms, located in Puyallup, Wash. This local, family-owned and family-operated farm supplies fresh produce to Kroger's customers on the West Coast.

Now covering more than 900 acres of farmland, the Sterino Farms family business started nearly a century ago when Michael Sterino arrived in the U.S. from Naples, Italy, and purchased 15 acres of land to farm in Fife, Wash. What started as a raspberry, cherry and blackberry growing operation has morphed and expanded over the course of four generations to grow and sell corn, cabbage, lettuce, pumpkins and more.

"One thing about Kroger is they're really right there to support local farms," says Jake Sterino of Sterino Farms. "They support all our products from beginning to end and continue to be there year to year, looking to do more to support our growth, and that's all a farmer can ask for."

Sterino Farms has partnered with Kroger since 1994 and today they grow produce that we carry in our Washington and Oregon area stores. Our customers have access to a variety of produce – squash, pumpkins, lettuce, spinach, raspberries, blackberries and more – that is harvested in the morning and then cooled and delivered to Kroger stores that same day.

## SUSTAINABLE FLOWERS AND PLANTS

Growing flowers and plants for floral and garden center retail can have negative environmental and social impacts due to the requirements of the growing and harvest processes. We understand that customers increasingly want to know where and how flowers and other plants are grown, harvested and transported so they can feel good about their choices. As a result, we seek to adopt sustainable practices in our floral and plant assortments.

### Sustainably-grown Flowers

As America's largest florist, we began our partnership with the Rainforest Alliance several years ago to advance our sustainable sourcing goals and promote fair labor practices in our supply chain, particularly in international growing regions. Products carrying the Rainforest Alliance Certified™ seal have been grown on farms that meet social and environmental standards designed to protect forests, soil, water, wildlife, and the communities and people who live and work in those forests and farms. The green frog certification seal assures customers that the flowers they are purchasing have been grown and harvested using environmentally- and socially-responsible practices.

BLOOM HAUS™ is Kroger's premium sustainable *Our Brands* floral line. Because roses are our top-sellers, we focused our efforts to achieve third-party certification for our floral products there to start. Today, all Kroger BLOOM HAUS™ roses are 100% Rainforest Alliance Certified™ thanks to the certification of all

farms supplying these flowers for Kroger. During the coming years, we aim to have as many of our flowers as possible be sustainably grown.

### Minimizing Pesticides

Kroger recognizes the global honey bee population is vulnerable, with research indicating that a cause may include the use of pesticides such as neonicotinoids. Due to this anticipated risk to the honey bee population, we have committed to eliminate the sourcing of live plants in our stores and garden centers that have been treated with pesticides containing these neonicotinoids by the year 2020, as reflected in our policy announced in 2018. We continue to work with our suppliers to ensure we will meet our goal.

In 2019, Kroger released its [Pollinator Protection Statement](#) to further articulate our support of reducing excessive pesticide use, transitioning to alternative pest management methods and increasing Organic product assortment.

## LOCAL SOURCING

For many years, Kroger has worked with farmers and suppliers to bring locally produced goods to our grocery stores. Our customers value our 'locally grown' and 'locally produced' programs as these products are very fresh and help lessen the impact on our environment through reduced transportation and minimized handling. They also appreciate that we are supporting the local communities where we operate. We participate in many state programs that support local and regional farmers, including: Kentucky Proud, Ohio Proud, Colorado Proud, Michigan Select, Buy Texas, Virginia's Finest, and Goodness Grows in North Carolina. In fact, our dedicated procurement team partners with more than 300 local produce growers and suppliers every year to bring our customers an exciting selection of local fruits and vegetables.

## SUPPLIER INCLUSION

Diversity is one of Our Values, and that's why we actively promote diversity and inclusion among our associates as well as among our vendor partners. Minority-owned and women-owned business enterprises (MBEs and WBEs), along with other diverse businesses, provide products, services and perspectives that align with our strategies and help us better understand our customers' needs and trends in the marketplace. We value our business relationships with these M/WBEs because they provide employment opportunities in our local communities, and their products and services are often unique and generate positive sales results.

In 2018, we spent over \$2.6 billion on purchases from diverse suppliers.

### Billion Dollar Roundtable

Since 2006, Kroger has spent more than \$1 billion annually with M/WBEs. As a result, we are a member of the Billion Dollar Roundtable, a prestigious forum of 27 corporations that have achieved \$1 billion or more in annual spending with M/WBEs. We achieved this goal by partnering with over 1,000 M/WBE companies in 2018.

### Top Corporation for Women's Business Enterprises

During 2018, Kroger was honored to be selected as one of America's Top Corporations for Women's Business Enterprises (Bronze Distinction) by the Women's Business Enterprise National Council (WBENC). The list of Top Corporations is designed to recognize organizations that are choosing to integrate policies and programs across the corporation to enable growth and reduce barriers for women-owned businesses; increasing opportunity in new markets – both domestically and internationally;

fueling innovation; and empowering communities through economic growth and jobs.

### Million Dollar Club

In 2018, the United States Hispanic Chamber of Commerce (USHCC) once again included Kroger in its 'Million Dollar Club.' This club recognizes corporations that are leaders in integrating Hispanic-owned business enterprises (HBEs) into their supply chains. Corporate Honorees that were recognized spent between \$25 million to to more than \$1 billion with Hispanic-owned companies in 2018.

### OMNIKAL Omni50 List

In 2018, Kroger ranked #13 on OMNIKAL's Omni50 Award Winners' list, which includes the top 50 U.S. corporations awarding the most business to the growing, culturally diverse vendor/supplier marketplace. This is the 19<sup>th</sup> consecutive year that Kroger has been recognized on this list.

## CONFLICT MINERALS

Kroger supports the conflict mineral provision in the Dodd-Frank Wall Street Reform and Consumer Product Protection Act and has published a Conflict Minerals Policy. Kroger expects suppliers who manufacture *Our Brands* products that may contain 3TG (gold, tin, tantalum and tungsten) to source minerals responsibly from facilities outside of Democratic Republic of Congo (DRC) or from facilities that have been certified to be 'conflict-free' if mined in the DRC. Suppliers must perform due diligence in managing all sourcing systems.

## RESPONSIBLE JEWELRY AND GEMS

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



## PRODUCTS

# Supply Chain Accountability

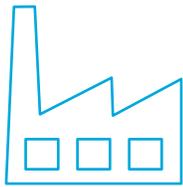
GRI 103-1, 103-2, 103-3

As described in the previous section, we have responsible sourcing commitments and requirements in place to minimize negative impacts and increase positive influence in our supply chain.

We monitor our supply chain for social and environmental impacts in multiple ways, including data collection and tracking, engagement with suppliers, risk management frameworks, codes of conduct, certification schemes and auditing. This topic is of high importance to many of our stakeholders, including investors, non-governmental organizations, customers and industry associations.

Responsibility for social compliance in our supply chain extends to our Chief Ethics & Compliance Officer, who has accountability to the Audit Committee of the Board of Directors and the Chairman and CEO. Supporting the Chief Ethics & Compliance Officer's mandates are several functions in the company, such as social compliance managers, supplier integrity management, Corporate Affairs and sustainability, corporate food technology, merchandising and sourcing teams. This work also benefits from the guidance of the Social Compliance Program Executive Committee. Environmental impacts in the supply chain are identified and prioritized through the leadership of our Head of Sustainability in partnership with several of the same business partners described above.

We align several of our responsible sourcing commitments and programs with specific environmental and social certification schemes. Using these certifications helps provide clarity, third-party credibility and additional verification to our sourcing commitments.



### Schedule Audit

THE APPROVED AUDITING FIRM CONTACTS THE FACILITY TO SCHEDULE THE KROGER AUDIT



### Semi-announced Audit

THE AUDITOR VISITS THE FACILITY DURING THE AGREED-UPON AUDIT WINDOW



### Audit Findings

THE AUDIT FINDINGS ARE SENT TO FACILITY, VENDOR AND KROGER SOCIAL COMPLIANCE TEAM



### Audit Results

**AUDIT SCORE CAN BE:**

- GREEN
- RED
- YELLOW
- PROHIBITED
- ORANGE



### Corrective Action Plan (CAP)

IF APPLICABLE, THE FACILITY HAS A DETERMINED AMOUNT OF TIME TO COMPLETE THE ASSIGNED E-LEARNING COURSES AND SUBSEQUENT IMPROVEMENT PLAN  
AN ONSITE FOLLOW-UP AUDIT MAY BE REQUIRED

GRI 408-1, 414-1

## SOCIAL COMPLIANCE AUDITS AND PROGRAM COMPONENTS

As described in more detail in our [Social Compliance Program Requirements document](#), Kroger's Social Compliance Audits are designed to check our suppliers' alignment with our Vendor Code of Conduct. Vendors must agree to our [Vendor Code of Conduct](#) when registering to become a supplier in our Supplier Hub (see page 149). The Code informs vendors that the facilities they operate and subcontract with can be subject to Social Compliance Audits.

All relevant, in-scope suppliers are scheduled for an audit as early as possible during the development of their relationship with Kroger, and are subject to ongoing audits to continue the relationship. Factory visits are guided by the audit content and are conducted by a third-party auditing firm approved by Kroger within a five-day audit window. Most suppliers will require a new audit annually; however, a risk-based assessment may allow for a longer period between audits. The score of the audit – Red, Orange, Yellow or Green – is based on the severity and number of violations.

To determine the scope of the vendors and facilities that are to be audited and how often, Kroger has evaluated its supplier base against multiple criteria, such as where facilities are located, what products they produce and inherent industry risks. We also use risk indicators such as the United Nations Human Development Index, the U.S. State Department Trafficking in Persons Report and The World Bank Worldwide Governance Indicators.



By default, the following products are included: all *Our Brands* items produced at facilities located outside the U.S., unbranded products (such as bulk produce) processed at facilities outside the U.S., and direct import national brand products where Kroger is the importer of record. We use our risk classification process to determine which countries we consider higher risk so that we can prioritize facilities located in these countries during the audit scheduling process, if needed. In some instances, we will also audit U.S.-based suppliers if there is a perceived risk for a facility, product or region of the country. For certain high-risk product categories such as produce, we audit all facilities regardless of whether they produce private-label or national brand products. We regularly evaluate and adjust our audit protocol, our process and our scope to reflect changing risks.

For all in-scope facilities, program audits are conducted at the site where the product is manufactured or where the last assembly, packing, labeling or processing step is performed before the products ships from the country of origin to the U.S. Where we believe that there may be violations of the company's Code of Conduct elsewhere in the supply chain, we may request audits of additional facilities in the supply chain.

Transparency is imperative to ensuring compliance to the Vendor Code of Conduct. In early 2019, Kroger enhanced its process and policies around supplier transparency, especially during the audit process. Prior to the audit, our suppliers are given a [Transparency Expectations letter](#) detailing our ongoing commitment to protecting human rights and the expectation of our facilities to openly and

honestly discuss any deficiencies or concerns with our designated audit service providers. Some audits will also include a transparency analysis to better identify and record inconsistencies or related transparency concerns.

The people in our supply chain are an essential part of providing the best product at the best price to our customers. To better understand current working conditions and drive improvement, we need additional avenues to understand conditions from the workers' perspective. Workers in participating regions will be able to anonymously provide feedback to our team on working conditions through mobile surveys. The survey data allows us deeper insight into our supply chain and program guidance.

As of March 2019, all our Social Compliance audits include eLearning modules tailored to the facility to be completed during the corrective action plan process. These eLearning lessons complement the corrective action plan process to provide best practices and drive improvement.

Kroger takes seriously any violations of our Code of Conduct. Cases of suspected child labor, suspected forced labor or attempted bribery by the facility fall within the Prohibited category, and these suppliers are automatically disqualified and removed from our supply chain. Facilities that accumulate any Zero Tolerance violations are required to resolve issues immediately and may be subject to an interruption of business. Those on Corrective Action Plans are conditionally approved and required to complete the assigned eLearning courses and subsequent Improvement Plan according to schedule.

Our Social Compliance Program captures audits at facilities producing food and general merchandise products. In 2018, approximately 22% of the audits resulted in approved facilities that can continue business with the company for another 12 months. Another 68% were assigned a Corrective Action Plan and were required to fix violations on either a 6-month or 12-month timeframe. And finally, 10% of the total audits identified Zero Tolerance violations, and, if permitted, corrected violations immediately.

We regularly evaluate our audit protocol, our processes and our program scope so that we can adjust and adapt to the changing nature of our supply chain. We leverage industry-wide initiatives and evaluate alternative product or facility certification schemes in an effort to streamline auditing efforts across product industries and ultimately reduce supplier burden. We also participate in industry organizations to stay abreast of emerging trends and issues. And finally, we maintain regular engagement with suppliers to keep them informed about our program requirements and developments, as well as provide training for our merchandising and sourcing teams, as well as suppliers.

## **BUYER TRAINING**

The Social Compliance Program encompasses social compliance audits, buyer training and other initiatives. A recent initiative is the Social Compliance Checklist for Kroger Travelers, designed to meet the following objectives:

- Increase awareness for associates of Social Compliance risks
- Increase Social Compliance Program visibility
- Offer an additional communication channel for associates to raise social compliance concerns

Associates complete the Social Compliance Checklist while visiting facilities. Completed forms are reviewed and any areas of concern are reviewed by the Social Compliance Program Executive Committee. This process does not replace the Social Compliance audit or additional Social Compliance requirements. Rather, this process compliments our efforts to mitigate risk and drive positive impact within the supply chain.

## **VALUE CHAIN COLLABORATION**

To reduce audit fatigue and costs to our suppliers, our team diligently reviews outside certifications and audits in search of alignment to our Vendor Code of Conduct and program requirements. This past year, after the review of the certification processes and multiple meetings with the organizations, we decided to accept the Equitable Food Initiative (EFI), Fair Trade and the Florverde Sustainable Flowers certifications in lieu of the Kroger Social Audit for produce and floral facilities. This review process included shadowing an inspection of a Fair Trade-certified banana plantation in Ecuador, as well as discussions with local team members of Florverde Sustainable Flowers from Colombia and current Kroger suppliers that hold this certification.

## SUPPLIER MANAGEMENT

To further improve governance, we have also created a single source for all vendor information – the Supplier Hub, a centralized management system to ensure that all Kroger vendors are identifiable, accessible and regularly assessed for compliance. This system allows us to more easily collect and centrally maintain important information about our suppliers' compliance with our commitments, such as facility audit outcomes, certifications and relevant company initiatives.

Kroger's Supplier Hub enables a thorough identification and verification process for our external vendors and suppliers. This helps ensure that we are offering safe, ethically-sourced products for our customers, while meeting the guidelines of the Foreign Supplier Verification Program under the U.S. FDA's Food Safety Modernization Act. The Supplier Hub enables verification of foreign suppliers against U.S. food safety standards, minimizes risks, and streamlines and automates the process for becoming an approved vendor. As the Supplier Hub rolls out, each food/food contact vendor of *Our Brands* must be certified by one of the benchmarked audit schemes created by the Global Food Safety Initiative (GFSI) and meet Kroger's standardized compliance requirements.

As we continue to enhance the Supplier Hub, we see great benefits to Kroger: greater supply chain visibility across all business units and departments, and more tightly integrated procurement processes across the company. In turn, we have greater confidence that our high standards will be applied consistently across the supply chain.

In 2019, we move into Phase 2 of the project, which will link supplier information with product-specific information to create a comprehensive product and supplier management system. We also recently added capabilities to readily survey suppliers and collect and store responses and other documents within the system. We will continuously evaluate and update the system as our needs continue to evolve.

**[MORE INFORMATION ABOUT THE SUPPLIER HUB IS AVAILABLE HERE.](#)**

The Supplier Hub supports:

Increased customer safety

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Simplified work processes

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Standardized vendor onboarding

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Consistent messaging

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Vendor/supplier traceability

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## ANIMAL WELFARE AUDIT REQUIREMENTS

Kroger requires all beef, pork, chicken, turkey and egg suppliers to provide evidence of an annual Animal Welfare audit as part of doing business with us. Audits are to align with our accepted animal welfare standards and are to be conducted by reputable independent commercial third-party auditing companies. When audits fall below acceptable standards, our Regulatory Compliance Team determines improvement steps with our vendors. We engage our key suppliers regularly to communicate our requirements, to ensure they are being met, and to partner with them on continuous improvement opportunities.

We also align with the National Dairy FARM Program: Farmers Assuring Responsible Management™ program for animal welfare requirements in our dairy supply chain. We require all suppliers of milk and other dairy products supplying our manufacturing plants and grocery assortment to participate in the FARM program. We also require that any dairy farm supplying Kroger must complete at least one FARM program audit.



FEATURE STORY

## **ADOPTING SUPPLIER SCORECARDS TO ADVANCE SUPPLIER ACCOUNTABILITY**

This year, Kroger launched our own private-label apparel brand – called Dip. The Dip collection offers clothing for men, women, young men, juniors, kids, toddlers and babies and features elevated essentials and seasonal trend pieces.

Because this was a new private-label category for Kroger, we selected a new set of vendors to help produce these clothing items. We proactively educated our suppliers through a Supplier Conference and advanced their accountability through a comprehensive supplier scorecard.

In the fall of 2018, multiple teams within Kroger and relevant partners hosted an Apparel Supplier Conference in Hong Kong. Hosting a supplier conference is one of the most effective approaches in driving suppliers' understanding of our expectations, while also giving them the opportunity to voice concerns and questions regarding our program. We shared a variety of information with our suppliers, including expectations and processes on the brand strategy, product development improvement opportunities, product safety and regulatory compliance, product quality assurance, social

compliance and other relevant details. This was one of our most successful overseas supplier conferences to date, with more than 75 attendees who accounted for more than 90% of our Dip apparel suppliers.

Kroger has developed a comprehensive supplier scorecard to track and measure quality and compliance performance across our apparel vendors. In this scorecard, we are tracking such details as quality inspections, on-time shipping metrics, testing results and social compliance audit status to assign each factory a grade. We will track these scores over time to ensure our suppliers continue to remain in good standing with or exceed our business requirements and improve over time.

Additionally, we created a sampling protocol which enables quality testing by a third-party auditing and testing company to monitor and verify that our suppliers are executing established processes appropriately and producing products that meet our specifications for safety, quality and compliance.

## **TESTING, MONITORING AND REPORTING**

Kroger is committed to managing our products to ensure safety and quality. We require our suppliers to align with regulatory requirements pertaining to product safety, as well as meet our quality, safety and performance requirements. We engage with suppliers to address any concerns. This is true for both food and non-food products.

Our Corporate Food Technology and Regulatory Compliance teams monitor for food integrity and purity, product size and specifications, and regulatory compliance to ensure we provide safe, high-quality food products to our customers.

Similarly, our General Merchandise group maintains a General Merchandise Regulatory Compliance and Quality Assurance program, which outlines product testing protocols and requirements, labeling requirements and chemicals reporting requirements, among other things, for general merchandise products in our stores.



## PRODUCTS

# Food Safety

GRI 103-1, 103-2, 103-3, 416-1

Keeping food safe for our customers – no matter how they choose to shop with us – is part of everything we do, and a condition of working with Kroger for our suppliers and partners.

Food safety, quality assurance and regulatory compliance are at the core of our operations across all facets of our business, including our retail supermarkets, manufacturing plants and distribution centers. We focus on exceeding expectations for food safety and quality – from our customers and associates to our Board of Directors and U.S. regulatory agencies.

Kroger's committed team of food safety experts focuses on risk reduction and mitigation, continuous improvement and innovation in food protection. Our Risk Mitigation Strategy extends across our entire business – our operating units and geographic areas – to ensure that all company-operated facilities meet or exceed all food safety laws and standards. We establish and maintain science-based food preparation and handling practices. We also develop and implement programs to address emerging food safety risks. As the company has grown through the years by expansion, mergers and acquisitions, our Risk Mitigation Strategy has remained an unconditional part of these operating agreements.

In our manufacturing operations, we meet or exceed all U.S. FDA regulations under the Food Safety Modernization Act. This includes developing and implementing rigorous food safety Risk-Based Preventive Controls, following Current Good Manufacturing Practices and complying with all sanitary transportation regulations associated with sanitation and temperature control. All Kroger manufacturing plants are certified to the Safe Quality Foods (SQF) Standard – a Global Food Safety Initiative (GFSI)-benchmarked audit protocol – which includes rigorous requirements for product safety and quality. We also require all *Our Brands* suppliers to be GFSI-certified to any of the applicable protocols.

## OUR TEAM

Our food safety team implements our Risk Mitigation Strategy every day in collaboration with many departments, including Retail Operations, Manufacturing, Supply Chain, Merchandising, *Our Brands*, Loyalty and Corporate Affairs. 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 manage food safety, regulatory compliance, quality assurance and product development for all Kroger-operated manufacturing plants and all retail supermarkets. Focusing on prevention helps us manage known risks today and anticipate and address potential future issues. Our food safety team is available 24 hours a day, 7 days a week to support our retail stores, manufacturing plants and distribution centers.



## FOOD SAFETY IN RETAIL OPERATIONS

Across the country, food safety managers in our supermarket divisions help ensure compliance with all applicable federal, state and local regulations, oversee associate food safety training, coach store teams on food safety best practices, coordinate the store audit process and follow-up actions, and more. Each food safety manager also participates in food safety organizations and industry groups to stay informed of advances in food safety and share Kroger best practices that can benefit all consumers. Many also reach out to community groups and local schools to promote general food safety awareness and share tips to help our customers safely store, prepare and cook food at home.

In our retail operations, Kroger's Risk Prevention Strategy focuses on four main areas:

- Associate training,
- Food safety process controls,
- Store sanitation, and
- Audits and Food Safety Reviews.

## ASSOCIATE TRAINING

Every year, Kroger provides basic food safety training to associates who work in our retail supermarkets. In 2018, we trained more than 34,000 hourly associates in Basic Food Safety through web-based learning programs. We also trained more than 2,400 store managers, assistant store managers and department managers – in Produce, Meat & Seafood, Deli, Bakery and Dairy – in Advanced Food Safety practices to keep food safe for our customers. In addition, more than 4,000 store managers, assistant store managers and department managers earned national food safety certification through the National Registry of Food Safety Professionals in 2018. Our goal is to train 100% of our new associates in food safety before they serve their first customer. Store associates working in our fresh departments are required to complete five Basic Food Safety training modules before their first shift:

- Food Safety Overview,
- Personal Hygiene,
- Preventing Cross-Contamination,
- Temperature Control, and
- Employee Health Policy.

All five training modules are available in English and Spanish. In 2018, we launched a new Learning Management System which has enabled us to track and report on training more accurately. As a result, we can confidently say that 86.7% of our new store associates were trained in 2018. Given that food safety is such a high priority for Kroger, we continue to emphasize training, and the newly adjusted tracking system will show improvements in the near term.



Keeping foods at safe temperatures is key to providing fresh, high-quality products. We maintain temperature logs to ensure all perishable foods are stored at the proper temperature. We are completing work to install an automatic temperature monitoring system in all store refrigerated cases. This innovative Foods at Safe Temperatures program – an award-winning system developed by Kroger Technology to advance food safety – monitors temperatures and sends alerts to store management when temperature trends indicate warming. Through this system, an alarm enables store associates to react to negative temperature trends well before they become food safety issues.

### Store Sanitation

Store sanitation is a critical part of our customers' shopping experience and our Risk Mitigation Strategy for food safety. It starts with effective store cleaning. We continuously improve our guidance on sanitation over time based on industry best practices. Teams follow Master Cleaning Schedules for every store department with specific instructions for equipment to be cleaned and sanitized on a daily, weekly, monthly and quarterly basis. We continue to upgrade cleaning equipment for associates as needed and focus on training and procedures.

## FOOD SAFETY PROCESS CONTROLS

We focus on the four basic steps to food safety in our retail store operations: Clean, Separate, Cook and Chill. Our web-based learning curriculum and on-the-job coaching emphasizes the importance of these steps in all fresh departments. We focus on building a culture of food safety and quality throughout our retail operations. We want customers to shop with us because they know we provide safe, delicious food.

Serve Up Safe Delicious Food™ is how we help raise awareness of food safety among our associates. We emphasize three core areas: 1) Foods at Safe Temperatures (FAST) Behaviors, which focus on food safety and quality, 2) Sanitation and 3) Personal Hygiene. We also modified the Serve Up program for customers, in support of the USDA-recommended consumer food safety guidelines.

### Food Safety Review Audits

Our retail store food safety audit program is designed to meet or exceed industry and company standards. All our retail stores are licensed by the appropriate state and local regulatory agencies in their geographic area. Our food safety managers work very closely with regulatory agencies to ensure that each store's food safety procedures are in line with all appropriate food safety regulations.

Bi-monthly Food Safety Review (FSR) audits of every store – conducted by third-party firms – augment inspections by local health departments and company associates. Last year, we received more than 14,100 FSRs. We use this audit information to monitor our store operations and take immediate corrective action when necessary to meet our standards and the interpretations of the U.S. FDA's Model Food Code.

Results from these comprehensive audits help our food safety team measure the success of our food safety culture. In 2018, we streamlined our food safety and sanitation review protocol to align with regulatory standards, as governed by the Food Code, and reflect industry best practices. This also makes it easier for associates to interpret results and address any concerns.

In 2018, our food safety performance numbers across retail stores in our family of companies were:

- Critical violations per FSR audit: 0.57,
- Critical repeat violations per FSR audit: 0.08, and
- Board of Health critical violations per FSR audit: 1.01.



## FOOD SAFETY IN MANUFACTURING

In 1901, Kroger became the first grocery company to operate its own bakery when founder Barney Kroger opened a baking plant in Cincinnati. Since then, quality has served as the foundation for our business.

Today, we manufacture 43% of *Our Brands* food items at 34 Kroger-operated food processing plants across the country, and we offer our customers thousands of quality *Our Brands* items. Products manufactured by our plants include Kroger brand and banner brand products, Private Selection®, Simple Truth®, Simple Truth Organic®, HemisFares® and many more.

Making safe, wholesome food is our highest priority. We apply our Risk Mitigation Strategy to our manufacturing operations, meeting or exceeding all regulatory

and industry-accepted standards and requirements. These include Current Good Manufacturing Practices (CGMP), FDA's Hazard Analysis and Risk Based Preventive Controls Principles, pre-requisite programs which include extensive food allergen controls, a robust environmental monitoring program, supply chain programs for approving ingredient and packaging suppliers, and a recall plan that allows us to quickly pull product from the shelves in the event of a potential food safety or quality issue.

Every Kroger manufacturing plant is certified to the Safe Quality Food (SQF) standard, which encompasses food safety and quality manufacturing standards. The SQF program is administered by the Food Marketing Institute, measured by certified third-party auditors and recognized by GFSI. Every Kroger-operated manufacturing plant is assigned a Quality Assurance Manager and a Food Safety & Quality Practitioner to oversee food safety performance.

At the plant level, our Risk Mitigation Strategy includes the following components:

- Leadership and training,
- Hazard Analysis and Risk-Based Preventive Control/Food Safety plans,
- Sanitation control,
- Food allergen control,
- Environmental monitoring programs,
- Audits and Food Safety Reviews, and
- Recall management.

We also procure products that are manufactured by other vendors and labeled as *Our Brands* products. All outside food manufacturing facilities that supply Kroger-brand products – ingredients and finished products – are required to meet or exceed Kroger's food safety and quality standards and maintain GFSI-benchmarked certification.

Kroger is a recognized leader in food safety in our industry. In 2012, Kroger received the prestigious Black Pearl Award for advancing food safety and quality from the International Association for Food Protection (IAFP). Every year, IAFP recognizes one company for its efforts to advance food safety and quality through consumer programs, employee relations, educational activities, adherence to standards, and support of the goals and objectives of the IAFP.

In 2013, the Safe Quality Food Institute named Kroger Manufacturer of the Year as part of its annual Quality Achievement Awards, which are presented to companies and individuals demonstrating an ongoing commitment to improving food safety within the global community. We continue to uphold and continuously improve our food safety practices.



## **LEADERSHIP AND TRAINING**

Responsibility for food safety begins at the top at our manufacturing facilities. Each plant's General Manager is responsible for compliance with federal and state laws, regulations and guidelines. They may delegate the administration of related programs to appropriate plant supervisory personnel.

Kroger requires each manufacturing facility to establish a formal Food Safety Committee made up of associates from several disciplines in the plant. The committee meets regularly to ensure that food safety best practices are followed, and members take part in monthly food safety and sanitation inspections. These inspections help the company monitor compliance with food safety and sanitation programs in place at every plant.

All new associates receive food safety and Good Manufacturing Practices (GMP) training that is appropriate for the plant in which they work, including a general overview of the plant's Food Safety Plan and Allergen Control Program. All current associates also receive refresher training at least once a year. After completing the GMP training, each associate completes a quiz to verify their knowledge. We document all food safety training.

## **FOOD SAFETY PLANS**

Kroger conducts a Hazard Analysis of both ingredients and products as the last step in developing our Food Safety Plans. These Food Safety Plans identify the preventative control/critical control steps necessary to ensure product safety. In support of the Food Safety Plans, the facility implements and documents prerequisite programs, which include but are not limited to the following: cleaning and sanitation, personnel practices, pest control, preventive maintenance, chemical control, product traceability, receiving, storage, and shipping programs.

### **Sanitation**

Each facility develops Sanitation Standard Operating Procedures (SSOPs) and implements and documents a daily monitoring program, which includes personal safety, plant cleanliness, cross-contamination, food protection, equipment cleaning procedures, and more.

### **Food Safety Audits**

Our approach to food safety audits in manufacturing is similar to our approach in our retail supermarkets. We combine data from internal audits, third-party audits and regulatory agency audits to help monitor and continuously improve our operations. For each facility, we verify that the food safety programs in place are functioning as written. We have a four-tier auditing program to help maintain our high food safety standards:

- Management daily walks;
- Internal plant audits and follow-up corrective action plans;
- Unannounced Kroger Corporate Food Safety & Quality Team Audits, at least annually; and
- SQF audits.

## MANAGING RECALLS

Products are removed from sale for many reasons, including incorrect package labels, undeclared allergens and, on rare occasions, the risk of illness or injury. Because our customers' safety is the highest priority, we are a leader in recall management and communications. We consistently meet and exceed industry and government standards for recalls and product withdrawals.

Kroger has an experienced team of experts who coordinate recalls with suppliers, regulatory agencies and our own network of food safety specialists and recall managers. This 24-hour, 7-day-a-week process focuses on identifying items to be recalled or withdrawn from our distribution network and retail stores and working with the appropriate teams to ensure the recalled items are quickly removed from sale.

Kroger was one of the first retailers to implement a personalized customer notification system for certain types of recalls. Using our customer loyalty database, we can identify shoppers who may have purchased a specific recalled item. If a recall involves a possible health risk – such as an undeclared allergen or potential foodborne illness – we immediately activate our notification systems to alert customers quickly through register receipt messages and automated phone calls.

When issues occur, we work quickly to recall or destroy affected products. We also investigate the issue, take corrective action, and modify or create programs to minimize or eliminate the problem in the future. In every situation, we put our customers' interests first. If food safety is compromised for any reason, we go the extra mile to take action and alert customers quickly to the potential problem out of an abundance of caution. Kroger also offers a toll-free Customer Service Center and information line staffed with professionals who can answer questions about food safety and items that may have been recalled.

## FOOD SAFETY IN OUR DISTRIBUTION CENTERS

Like our stores and plants, our distribution centers have comprehensive food safety requirements enacted to ensure the quality and safety of the food that is transported through and stored at these facilities. Our Food Safety and Sanitation Standards for Distribution Centers outline these requirements in detail for our associates. These requirements are based on best practices as well as 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

Of particular relevance to food safety in our distribution centers is keeping the 'cold chain' (or perishable supply chain) intact while food is under Kroger's control, as described in our Cold Chain Management Safety Toolkit. This toolkit outlines our expectations in the areas of inbound transportation and receiving, outbound transportation and store delivery, and facilities – the whole value chain.

Kroger's Corporate Regulatory Compliance Group conducts Food Safety/Sanitation inspections at our distribution centers. These audits are used to review and score each facility based on the five areas outlined above, and each facility is given a score and, where warranted, a plan to address any deficiencies.

Our Supply Chain team has an important role to play in maintaining product safety and quality as it moves from our plants and suppliers through our distribution centers to our stores.

## ADVANCING FOOD SAFETY

We continue to advance food safety through public policy advocacy and collaboration with industry partners.

We worked with IBM and other leading companies across the global food supply chain on a major blockchain collaboration to further strengthen consumer confidence in the global food system. The work with IBM helped identify new areas where the global supply chain can benefit from blockchain technology, such as improving product traceability and recall management.

In 2018, Kroger started to work with the Leafy Greens Marketing Association and the Food Marketing Institute on developing new water quality standards for irrigation farms. This collaboration is essential following the leafy greens recalls earlier in the year.

This year, Kroger's Vice President of Corporate Food Technology and Regulatory Compliance was named to the Board of Directors of the Global Food Safety Initiative. This individual will be serving on two committees: the Public/Private Partnership Committee and the Global Markets Committee. Engaging with the industry will help us stay abreast of food safety trends and developments.

Several years ago, Kroger supported the Food Safety Modernization Act of 2010 and has since implemented all relevant rules dictated by the U.S. Food and Drug Administration. Most recently, this included implementing the Intentional Adulteration Rule in our Manufacturing plants. This entails creating a monitoring system, validating any inputs and quantities, and conducting vulnerability testing.

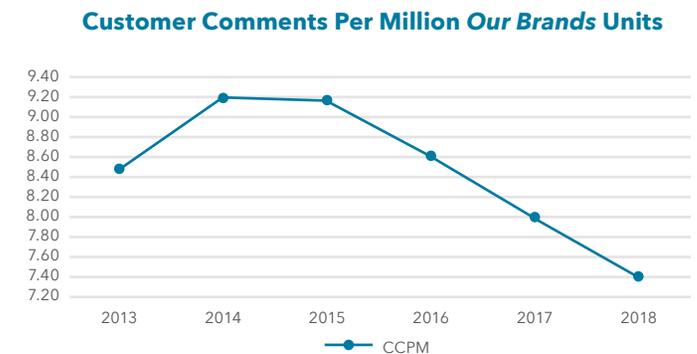
## PRODUCT QUALITY

We understand that product quality is incredibly important for us to track and verify so our customers know they are getting the best products. Our Corporate Food Technology and Regulatory Compliance teams monitor for food integrity and purity, product size and specifications, and regulatory compliance to ensure we provide safe, high-quality food products to our customers. In our Manufacturing plants, we use quality control plans (QCPs) to verify quality from the ingredient level all the way to finished product. We adjust QCPs and develop new QCPs based on various inputs, such as customer comments. For *Our Brands* products that our suppliers produce, we conduct a product quality audit program to ensure these products meet our specifications and quality standards. Kroger may also undertake supplier visits before manufacturing begins, or if an issue arises, to check quality and safety at our suppliers' plants.

## CUSTOMER COMMENTS

We set quality and performance standards for *Our Brands* products, whether we make them ourselves or use an outside supplier. We measure our performance in several ways, including comments we receive through our customer call center and via email. A standard industry measure of product quality is the number of comments received per million units of product we make.

The graph below shows a continuing decrease in customer complaints for the last several years. These results include data from all *Our Brands* products, including Kroger-manufactured products and those procured from outside suppliers.



# GRI INDEX

Kroger is reporting "In Accordance with – Core"

GRI STANDARD	DISCLOSURE NUMBER	DISCLOSURE DESCRIPTION	PAGE NUMBER(S) AND/OR URL	OMISSIONS
<b>GRI 101–FOUNDATION 2016</b>				
<b>GENERAL DISCLOSURES</b>				
<b>ORGANIZATIONAL PROFILE</b>				
GRI 102: GENERAL DISCLOSURES 2016	102-1	Name of the organization	<a href="#">About Kroger; 2019 Proxy Statement and 2018 Annual Report</a>	
	102-2	Activities, brands, products, and services	<a href="#">About Kroger; 2019 Proxy Statement and 2018 Annual Report</a>	
	102-3	Location of headquarters	<a href="#">About Kroger; 2019 Proxy Statement and 2018 Annual Report</a>	
	102-4	Location of operations	<a href="#">About Kroger; 2019 Proxy Statement and 2018 Annual Report</a>	
	102-5	Ownership and legal form	<a href="#">About Kroger; 2019 Proxy Statement and 2018 Annual Report</a>	
	102-6	Markets served	<a href="#">About Kroger; 2019 Proxy Statement and 2018 Annual Report</a>	
	102-7	Scale of the organization	<a href="#">About Kroger; 2019 Proxy Statement and 2018 Annual Report</a>	
	102-8	Information on employees and other workers	<a href="#">About Kroger; Talent Attraction &amp; Retention; 2019 Proxy Statement and 2018 Annual Report</a>	
	102-9	Supply chain	<a href="#">About Kroger; 2019 Proxy Statement and 2018 Annual Report</a>	
	102-10	Significant changes to the organization and its supply chain	<a href="#">About Kroger; 2019 Proxy Statement and 2018 Annual Report</a>	
	102-11	Precautionary Principle or approach	<a href="#">About Kroger</a>	
	102-12	External initiatives	<a href="#">About Kroger</a>	
	102-13	Membership of associations	<a href="#">About Kroger</a>	
<b>STRATEGY</b>				
	102-14	Statement from senior decision-maker	<a href="#">CEO Letter</a>	
<b>ETHICS AND INTEGRITY</b>				
	102-16	Values, principles, standards, and norms of behavior	<a href="#">About Kroger; Talent Attraction &amp; Retention; Responsible Sourcing</a>	

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Kroger is reporting "In Accordance with – Core"

GRI STANDARD	DISCLOSURE NUMBER	DISCLOSURE DESCRIPTION	PAGE NUMBER(S) AND/OR URL	OMISSIONS
<b>GENERAL DISCLOSURES (CONTINUED)</b>				
<b>GOVERNANCE</b>				
	102-18	Governance structure	<a href="#">About Kroger; 2019 Proxy Statement and 2018 Annual Report</a>	
<b>STAKEHOLDER ENGAGEMENT</b>				
	102-40	List of stakeholder groups	<a href="#">About Kroger; About This Report</a>	
	102-41	Collective bargaining agreements	<a href="#">About Kroger</a>	
	102-42	Identifying and selecting stakeholders	<a href="#">About Kroger</a>	
	102-43	Approach to stakeholder engagement	<a href="#">About Kroger; About This Report</a>	
	102-44	Key topics and concerns raised	<a href="#">About This Report</a> . Key issues are discussed in the report sections for each of our most material topics.	
<b>REPORTING PRACTICE</b>				
<b>GRI 102: GENERAL DISCLOSURES 2016</b>	102-45	Entities included in the consolidated financial statements	<a href="#">About Kroger; 2019 Proxy Statement and 2018 Annual Report</a>	
	102-46	Defining report content and topic Boundaries	<a href="#">About This Report</a> . Each report section covering our most material topics discusses the topic definition.	
	102-47	List of material topics	<a href="#">About This Report</a>	
	102-48	Restatements of information	<a href="#">About This Report</a> . We include mention of data restatements in the report text if relevant.	
	102-49	Changes in reporting	<a href="#">About This Report</a>	
	102-50	Reporting period	<a href="#">About This Report</a>	
	102-51	Date of most recent report	<a href="#">About This Report</a>	
	102-52	Reporting cycle	<a href="#">About This Report</a>	
	102-53	Contact point for questions regarding the report	Lisa Zwack, Head of Sustainability; 1014 Vine Street, Cincinnati, OH 45202	
	102-54	Claims of reporting in accordance with the GRI Standards	<a href="#">About This Report</a>	
	102-55	GRI content index	<a href="#">About This Report</a>	
	102-56	External assurance	This report is not externally assured.	

# GRI INDEX

Kroger is reporting "In Accordance with – Core"

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<b>OUR CUSTOMERS &amp; COMMUNITIES</b>				
<b>CUSTOMER SATISFACTION &amp; DIGITAL INNOVATION</b>				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundaries	<a href="#">About This Report; Customer Satisfaction &amp; Digital Innovation</a>	
	103-2	The management approach and its components	<a href="#">Customer Satisfaction &amp; Digital Innovation</a>	
	103-3	Evaluation of the management approach	<a href="#">Customer Satisfaction &amp; Digital Innovation</a>	
<b>HEALTH &amp; NUTRITION</b>				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundaries	<a href="#">About This Report; Health &amp; Nutrition</a>	
	103-2	The management approach and its components	<a href="#">Health &amp; Nutrition</a>	
	103-3	Evaluation of the management approach	<a href="#">Health &amp; Nutrition</a>	
<b>FOOD ACCESS</b>				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundaries	<a href="#">About This Report; Food Access</a>	
	103-2	The management approach and its components	<a href="#">Food Access</a>	
	103-3	Evaluation of the management approach	<a href="#">Food Access</a>	
<b>COMMUNITY ENGAGEMENT</b>				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundaries	<a href="#">About This Report; Community Engagement</a>	
	103-2	The management approach and its components	<a href="#">Community Engagement</a>	
	103-3	Evaluation of the management approach	<a href="#">Community Engagement</a>	
GRI 413: Local Communities	413-1	Operations with local community engagement impact assessments and development programs	<a href="#">Community Engagement; Food Access; Zero Hunger</a>	

# GRI INDEX

Kroger is reporting "In Accordance with – Core"

GRI STANDARD	DISCLOSURE NUMBER	DISCLOSURE DESCRIPTION	PAGE NUMBER(S) AND/OR URL	OMISSIONS
<b>MATERIAL TOPICS (CONTINUED)</b>				
<b>OUR PEOPLE</b>				
<b>TALENT ATTRACTION &amp; RETENTION</b>				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundaries	<a href="#">About This Report; Talent &amp; Attraction</a>	
	103-2	The management approach and its components	<a href="#">Talent &amp; Attraction</a>	
	103-3	Evaluation of the management approach	<a href="#">Talent &amp; Attraction</a>	
GRI 401: Employment	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	<a href="#">Talent &amp; Attraction</a> – see Benefits & Rewards and Investing in our People sections.	
<b>ASSOCIATE HEALTH &amp; SAFETY</b>				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundaries	<a href="#">About This Report; Health &amp; Safety</a>	
	103-2	The management approach and its components	<a href="#">Health &amp; Safety</a>	
	103-3	Evaluation of the management approach	<a href="#">Health &amp; Safety</a>	
GRI 403: Occupational Health & safety	403-2	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	<a href="#">Health &amp; Safety</a> – see Data Tracking and Monitoring section.	

# GRI INDEX

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GRI STANDARD	DISCLOSURE NUMBER	DISCLOSURE DESCRIPTION	PAGE NUMBER(S) AND/OR URL	OMISSIONS
<b>MATERIAL TOPICS (CONTINUED)</b>				
<b>OUR PLANET</b>				
<b>FOOD WASTE</b>				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundaries	<a href="#">About This Report; Food Waste</a>	
	103-2	The management approach and its components	<a href="#">Food Waste</a>	
	103-3	Evaluation of the management approach	<a href="#">Food Waste</a>	
GRI 306: Effluents and Waste	306-2	Waste by type and disposal method	<a href="#">Food Waste</a> – see Food Waste Tracking section.	
<b>ENERGY &amp; EMISSIONS</b>				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundaries	<a href="#">About This Report; Energy &amp; Emissions</a>	
	103-2	The management approach and its components	<a href="#">Energy &amp; Emissions</a>	
	103-3	Evaluation of the management approach	<a href="#">Energy &amp; Emissions</a>	
GRI 302: Energy	302-1	Energy consumption within the organization	<a href="#">Energy &amp; Emissions</a> – see Carbon Emissions and Energy Consumption Trends section.	
	302-3	Energy intensity	<a href="#">Energy &amp; Emissions</a> – see Carbon Emissions and Energy Consumption Trends section.	
GRI 305: Emissions	305-1	Direct (Scope 1) GHG emissions	<a href="#">Energy &amp; Emissions</a> – see Carbon Emissions and Energy Consumption Trends section.	
	305-2	Indirect (Scope 2) GHG emissions	<a href="#">Energy &amp; Emissions</a> – see Carbon Emissions and Energy Consumption Trends section.	
	305-3	Other indirect (Scope 3) GHG emissions	<a href="#">Energy &amp; Emissions</a> – see Carbon Emissions and Energy Consumption Trends section.	

# GRI INDEX

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GRI STANDARD	DISCLOSURE NUMBER	DISCLOSURE DESCRIPTION	PAGE NUMBER(S) AND/OR URL	OMISSIONS
<b>MATERIAL TOPICS (CONTINUED)</b>				
<b>OUR PRODUCTS</b>				
<b>RESPONSIBLE SOURCING</b>				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundaries	<a href="#">About this Report; Responsible Sourcing</a>	
	103-2	The management approach and its components	<a href="#">Responsible Sourcing</a>	
	103-3	Evaluation of the management approach	<a href="#">Responsible Sourcing</a>	
GRI 414: Social Supplier Assessment	414-1	New suppliers that were screened using social criteria	<a href="#">Supply Chain Accountability</a> – see Social Compliance Audits and Program Components section.	
<b>SUPPLY CHAIN ACCOUNTABILITY</b>				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundaries	<a href="#">About This Report; Supply Chain Accountability</a>	
	103-2	The management approach and its components	<a href="#">Supply Chain Accountability</a>	
	103-3	Evaluation of the management approach	<a href="#">Supply Chain Accountability</a>	
GRI 408: Child Labor	408-1	Operations and suppliers at significant risk for incidents of child labor	<a href="#">Supply Chain Accountability</a> – see Social Compliance Audits and Program Components section.	
<b>FOOD SAFETY</b>				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundaries	<a href="#">About this Report; Food Safety</a>	
	103-2	The management approach and its components	<a href="#">Food Safety</a>	
	103-3	Evaluation of the management approach	<a href="#">Food Safety</a>	
GRI 416: Customer Health & Safety	416-1	Assessment of the health and safety of products and service categories	<a href="#">Food Safety</a> – see Food Safety Review Audits section.	

# Awards: 2018-2019

Kroger was named a U.S. EPA ENERGY STAR Partner of the Year in 2019

– U.S. Environmental Protection Agency

Kroger was recognized as One of the Best Places to Work for LGBTQ Equality as a result of earning a perfect score on the 2019 Corporate Equality Index

– Human Rights Campaign Foundation

Kroger was ranked #6 on *Fortune Magazine's* Change the World 2018 list of companies around the world using their core business to drive positive social change, citing Zero Hunger | Zero Waste

– *Fortune Magazine*

Kroger Technology was named among *Computerworld's* ranking of the Top 100 Best Places to Work in IT at #58

– *Computerworld*

Kroger, Feeding America and World Wildlife Fund received Engage for Good's Gold Halo Award, Environmental Category, citing Zero Hunger | Zero Waste

– Halo Awards

Kroger was the 2018 *PR News's* CSR Award Winner in the Environmental Stewardship category for Zero Hunger | Zero Waste

– *PR News*

Kroger ranked #18 on the 2018 Harris Poll Reputation Quotient® Rankings

– The Harris Poll

Kroger named among the 50 Best Companies for Diversity in 2018

– *Black Enterprise*

Our Houston retail division received the Innovative Leadership Award

– Montgomery County Food Bank

Kroger's Nashville division was named the Get Smart TN Inaugural Partner Award

– Tennessee Department of Environmental Conservation

The Nashville division was recognized as a Platinum Funder Award

– Juvenile Diabetes Research Foundation

Nashville division was also recognized as a Flagship Appreciation Sponsor

– American Cancer Society

Fred Meyer received the Sustainability at Work Gold Certificate

– The City of Portland

Kroger's Smith's Division was recognized as Patriotic Employer

– Office of the Secretary of Defense Employer Support of the Guard and Reserve

Smith's was recognized as Outstanding Major Corporation

– Albuquerque Pride

Smith's Division also received the Silver Harvest Honor

– Food Bank of Northern Nevada

Smith's received the Thanks for Giving Award

– Granite Education Foundation

Mariano's was recognized as a nominee for the Philanthropy Award

– West Suburban Philanthropic Network

Mariano's was recognized as Outstanding Business of the Year

– Hanover Township Annual Community Service Awards

# Awards: 2018-2019

Kroger was recognized with the 2018 Distinguished Hispanic Ohioan Award's Nuestra Familia Award

– Ohio Latino Affairs Commission

Kroger's Columbus Division was recognized with the Corporate Citizenship Award

– Columbus Business First

Columbus was named a 2018 Central Ohio Champion of Diversity Leadership

– The Champions of Diversity Network

Kroger's Mid-Atlantic division was recognized for Outstanding Community Service in 2018

– Montgomery County Chamber of Commerce

Mid-Atlantic was also recognized with the Clean Business Award

– Hampton Clean City Commission

Mid-Atlantic division was recognized as Best Local Company that Gives Back

– The Roanoker

Ralph's store #703 was recognized with the Harvey Baskin Malibu Business Citizen of the Year Award

– The Malibu Times

Kroger's Louisville Division was recognized with the William Booth Award

– The Salvation Army

The Louisville Division received The Humanitarian Award of Excellence

– The Lord's Kitchen

The Louisville team was also recognized for Corporate Engagement and Empowerment

– The A-TEAAM

Dillons Store Manager Mike McFerren was recognized with the Good Apple Award

– Wichita Board of Education, Kansas

Kroger's Dillons Division team was recognized as Best Traditional Chili for their Zero Hunger | Zero Waste Food Rescue recipe

– Empty Bowls, Wichita, Kansas

Dillons was recognized with the Chairman's Circle Award

– United Way

Dillons was also recognized as #1 Contributor for Associate Giving

– United Way of Reno County

Dillons was recognized for Volunteer and Giving Spirit in support of Zero Hunger | Zero Waste

– Reno County Food Bank

Kroger's Atlanta division was recognized with the 2018 E3 Resilient Communities Sustainability Award

– Metro Atlanta Chamber

Kroger's K.B. Specialty Foods plant in Greensburg, Ind., was named to the 2018 list of Innovative Top Projects

– Water & Wastes Digest

Kroger's Manufacturing group earned the 2018 Outstanding Dairy Processing and Manufacturing Sustainability Award for its zero waste initiatives

– U.S. Center for Dairy Innovation