



THE KROGER FAMILY OF COMPANIES  
2018 SUSTAINABILITY REPORT

SETTING THE TABLE FOR A  
SUSTAINABLE  
**FUTURE**



**ZERO  
HUNGER  
ZERO  
WASTE**

**ABOUT  
KROGER**

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**ZERO HUNGER |  
ZERO WASTE**

Zero Hunger

Zero Waste

Zero Hunger |

Zero Waste

Champions



**OUR CUSTOMERS  
& COMMUNITIES**

Customer  
Satisfaction &  
Digital  
Innovation

Health &  
Nutrition

Food Access

Community  
Engagement

**OUR PEOPLE**

Talent Attraction  
& Retention

Associate Health  
& Safety

**OUR PLANET**

Zero  
Waste

Food Waste

Energy &  
Emissions

Water

**OUR PRODUCTS**

Better-for-You  
Products

Sustainable  
Product  
Packaging

Responsible  
Sourcing

Supply Chain  
Accountability

Food Safety

**GRI INDEX**

**2017 AWARDS**



PEOPLE



PLANET



CUSTOMERS &  
COMMUNITIES



PRODUCTS



# AT KROGER, NEARLY HALF A MILLION ASSOCIATES SERVE OVER 9 MILLION CUSTOMERS A DAY THROUGH FOOD INSPIRATION AND UPLIFT.

GRI 102-1, 102-3, 102-5

## 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 135 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](#).





# SUPERMARKET DIVISIONS & MANUFACTURING FACILITIES

GRI 102-2, 102-4, 102-6, 102-7, 102-45

## OUR OPERATIONS

At the Kroger family of companies, we are dedicated to Our Purpose: to Feed the Human Spirit™. We are nearly half a million associates who serve nine million customers daily through a seamless digital shopping experience and 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 2,782 retail supermarkets in 35 states and the District of Columbia—1,489 of which have fuel centers. We manufacture much of the food for sale in our supermarkets at 38 food production plants and manage a logistics network with 42 distribution centers across the country.



We offer customers more than 1 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. Our own Kroger Manufacturing facilities produce about 40% of grocery products in *Our Brands*.

We operate 274 fine jewelry stores and a jewelry retail website, Fred Meyer Jewelers.

In addition, our family of companies operated (by franchisees or through our subsidiaries) five convenience store divisions in 2017. In April 2018, Kroger sold its convenience store business, comprised of 762 stores.

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 2017, the Kroger family of companies employed a total of 449,000 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 91% 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 366 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.

2017 Demographics	EMPLOYMENT TYPE		Total
	Full-Time Employees	Part-Time Employees	
Female	93,351	135,639	228,990
Male	89,690	130,320	220,010
<b>Total</b>	<b>183,041</b>	<b>265,959</b>	<b>449,000</b>

**91% OF KROGER ASSOCIATES WORK IN OUR RETAIL SUPERMARKETS.**



GRI 102-9

## 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.

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 33% of all *Our Brands* units—

GRI 102-10

## CHANGES IN THE SUPPLY CHAIN

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 product offerings, customer 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.

including 44% of the grocery category—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.

In 2017, factors that contributed to changes in our supplier base included a typical cadence of store openings and closures, the rapid expansion of our ClickList® online ordering platform, the addition of our Instacart partnership for home delivery in select markets, and the double-digit sales growth of our Simple Truth® and Simple Truth Organic® brands.

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.



## 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 (formerly Carbon Disclosure Project)	Global disclosure system through which Kroger voluntarily reports climate impacts and management strategy to key investors
Dairy F.A.R.M. (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	Product certification standard to which Kroger's goal to increase sustainable paperboard fiber in its product packaging aligns
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 Aquaculture Alliance	Maintains sustainable product standard for farm-raised seafood to which Kroger has aligned its seafood sustainability commitments
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 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





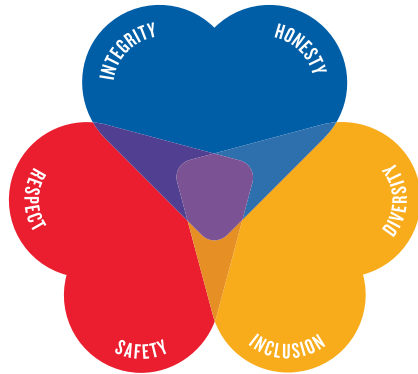
## MEMBERSHIP OF ASSOCIATIONS

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
North American Chain Drug Stores	Trade association representing chain community pharmacies as providers of healthcare services and consumer products
National Association of Convenience Stores	Promotes the role of convenience stores as positive economic, social and philanthropic contributors to the communities they serve
Retail Industry Leaders Association	Offers opportunities for peer benchmarking and advocacy on behalf of retailers and consumer products manufacturers
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 102-18

## 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 sustainability 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 our efforts to manage public expectations and issues that affect the business.

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 and rely on 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),
- The Kroger Co. Anti-Corruption Policy (for associates), and our

- 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 2017, 100% of relevant associates acknowledged the Policy on Business Ethics.

Throughout the year, our leaders update Board members on important 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 [2018 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 annual internal Risk Assessment Survey to gain leaders' insights on the type and magnitude of potential 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 ensuring that associates of the Kroger family of companies are aware of and follow Kroger's Policy on Business Ethics and Anti-Corruption Policy, and that our vendors and suppliers follow the Vendor Code of Conduct and related standards for social responsibility. This team also operates the company's EthicsPoint helpline for associates.

An Environmental Compliance team oversees the company's environmental compliance initiatives. This team works with managers from the corporate office, supermarket divisions and safety leaders to identify and clarify issues to help ensure that Kroger properly prioritizes and effectively implements environmental compliance requirements.

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 social risks among our international vendors and suppliers and monitor compliance with our Vendor Code of Conduct. They follow detailed standard operating policies and procedures to administer Kroger's Social Responsibility

Compliance Program. This group receives guidance from the Social Compliance Program Executive Committee.

The Environmental Compliance and Social Responsibility Compliance teams are overseen by 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 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.

Our Sourcing team focuses on responsibly sourcing products for our extensive line of *Our Brands*

products—including products we manufacture and label. They work 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. Corporate Affairs managers in supermarket 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 [2017 Materiality Assessment](#) for additional details on our stakeholder engagement process.

The leaders of these teams report regularly on performance to the Public Responsibilities and Audit Committees of Kroger's Board of Directors.

GRI 102-40, 102-42

## 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 that 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. Our approach to engagement varies by stakeholder group.

Key stakeholders include our associates, our company leadership, trade unions, our customers, our neighbors in the communities where we operate, our shareholders, our suppliers and manufacturing partners, 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.

Notably, in 2017, Kroger captured the perspective of all key stakeholder groups in a detailed materiality assessment as part of preparing this 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. For more details, please refer to the [Materiality Assessment](#) section.

GRI 102-40, 102-43

## KEY STAKEHOLDERS & 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.

### TRADE 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, online surveys, telephone 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 p.m. EST on Saturday and Sunday, or via [email](#).

## 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.

## 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 environmental, social and governance (ESG) topics, [www.the-krogerco.com](http://www.the-krogerco.com), press releases, webcasts and telephone calls.

## SUPPLIERS AND 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.

## LOCAL OFFICIALS AND 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.

## GOVERNMENT AGENCIES AND POLICY INSTITUTES

We engage with government officials and policymakers at the national, state and local levels across the country 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 AND TRADE ASSOCIATIONS

Kroger is a member of several industry and trade associations that serve the grocery retail, manufacturing and logistics businesses and that support advances in sustainability and responsible sourcing. We participate in meetings on a regular basis. A list of our memberships is available on p. 8 of this report.

## 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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THE  
KROGER  
COMPANY

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ZERO HUNGER |  
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**KROGER IS PLEASED TO SHARE OUR  
12<sup>TH</sup> SUSTAINABILITY REPORT WITH  
OUR CUSTOMERS, ASSOCIATES,  
SHAREHOLDERS AND OTHER  
VALUED STAKEHOLDERS.**

**ABOUT THIS  
REPORT**

In this section of our report, we are including highlights from the past year, progress on our 2020 Sustainability Goals and information about our reporting process and scope for this year.

This report aligns with the Global Reporting Initiative (GRI) Global Sustainability Reporting Standard for the first time, specifically the Core reporting option. Transitioning to this standard has been an informative process that has deepened our strategic stakeholder engagement as we strive to continue this level of engagement and increase transparency in the future. We have noted specific references in this report to content that aligns with specific GRI standards.



# TO OUR STAKEHOLDERS:

## I AM PLEASED TO SHARE KROGER'S 2018 SUSTAINABILITY REPORT, WHICH REFLECTS OUR ENVIRONMENTAL AND CORPORATE RESPONSIBILITY EFFORTS FOR 2017.

As I reflect on the year, I am grateful for Kroger's remarkable Associates, who achieved incredible progress on our business strategy and sustainability journey during a year of great change for our Company and in the grocery industry.

We launched our three-year *Restock Kroger* plan, refined Our Purpose and Promise, advanced progress on our 2020 Sustainability Goals, and introduced Kroger's ambitious Zero Hunger | Zero Waste social impact plan. These are all profoundly important to who we are and what we stand for as a Company.

As a summary of our work, I'm pleased to share [Kroger's 2017 Sustainability Highlights](#) and our [2020 Sustainability Goals Progress Update](#).

During the past several months, we also more clearly assessed and articulated our commitment to sustainability through the process of preparing

this report. We connected with our stakeholders to gain deeper insights into identifying and understanding our most important emerging social and environmental issues, and understanding what is most important to you as we move forward. Our materiality assessment process, as outlined [here](#), helped prioritize our top sustainability and corporate responsibility topics, and validated the strategic priorities in our *Restock Kroger* plan.

*Restock Kroger*—our plan to redefine the food and grocery customer experience in America—includes four drivers: *Redefining the Grocery Customer Experience*, *Partner for Customer Value*, *Develop Talent* and *Live Our Purpose*. You'll see each of these drivers reflected in the key topics in this report as our business imperatives and sustainability priorities converge.



We know that our Customers, Associates, Shareholders and other stakeholders care deeply about what companies do for their communities, for their people and for the planet. This is also true of Kroger. These shared commitments translate directly into our ability to grow the business and create shareholder value. We believe our nearly 2,800 stores are a competitive advantage because they connect us to our neighbors and to our Communities. The *Live Our Purpose* pillar of *Restock Kroger* focuses on our responsibility as a company leading social change and helping make the communities we call home better places to live and work.

Kroger's ambitious **Zero Hunger | Zero Waste** plan is our commitment to end hunger in our communities and eliminate waste across our company by 2025. We have tremendous scale—physical assets, technology, resources and incredible Associates—and a consistent track record of doing big and difficult things. These are bold goals, and we don't have all the answers. We are working with trusted national partners like Feeding America and World Wildlife Fund to guide us along the way.

I'm pleased to share more about Zero Hunger | Zero Waste and our work so far as an example of Kroger's leadership and commitment to sustainability and responsibility. We invite you to learn more [here](#) and follow our journey.

## OUR COMMITMENT

As America's grocer, we also have a broader commitment to protect people and our planet by advancing positive change in our Company and our Communities. Through our environmentally and socially responsible initiatives described here, we will see many benefits as a business, such as reducing costs and increasing revenues, managing and reducing risks and creating competitive advantage through innovation.

Our work supports:

### OUR CUSTOMERS & COMMUNITIES

We are a trusted partner and neighbor in the Communities we call home, offering much more than a great shopping experience. We are redefining the Customer experience, driving innovation and giving back in ways that create positive change where we live and work.

### OUR PEOPLE

We foster an inclusive culture of opportunity, in which Associates at all levels have paths to a better future, access to a wide range of career possibilities, and a Kroger family stretching from coast to coast. We also strive to ensure their health and safety while working with us.

### OUR PLANET

We protect our planet by reducing our climate impacts, eliminating waste and food waste, and minimizing water use. We use natural resources responsibly and help our Customers make more sustainable choices.

### OUR PRODUCTS

We responsibly source and continue to expand a wide range of choices to meet our Customers' unique needs and preferences, promoting natural, organic, healthy and wholesome options—like our own Simple Truth® products.

## LOOKING AHEAD

Our leaders and Associates are passionate about making a difference in the communities we serve, as well as protecting the planet for future generations. To provide the best possible guidance and governance for our teams, we have also formalized and refined several key commitments, including Kroger's [Sustainability Commitment](#), [Statement on Human Rights](#), [Responsible Sourcing Framework](#), [Animal Welfare Policy](#), and [Neonicotinoids Policy](#).

Kroger's sustainability and social impact plans are also consistent with and support several key United Nations Sustainable Development Goals. We are particularly pleased to align our most ambitious work with Goal 2: Zero Hunger and Goal 12: Responsible Consumption and Production.

I'm proud of the progress we've made so far and I am so excited about our future. I sincerely thank our Associates for their dedicated service and commitment and our Customers for their continued support.

We are ready and eager for the work ahead to achieve our vision of a world with Zero Hunger | Zero Waste.

Sincerely,

**Rodney McMullen**

Chairman and Chief Executive Officer  
The Kroger Co.



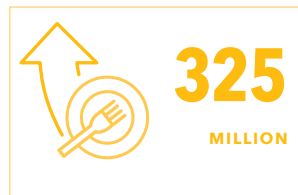


# 2017 HIGHLIGHTS



**INTRODUCED ZERO HUNGER | ZERO WASTE**, OUR COMMITMENT TO END HUNGER IN OUR COMMUNITIES AND ELIMINATE WASTE ACROSS OUR COMPANY **BY 2025**

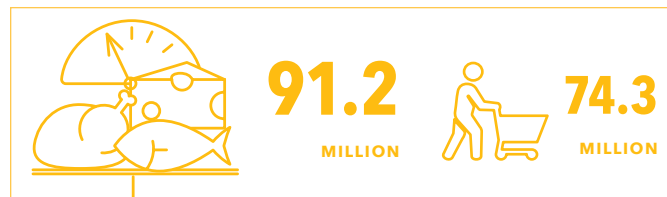
## ZERO HUNGER



**DONATED 325 MILLION MEALS** TO FAMILIES IN OUR COMMUNITIES



DIRECTED **\$358 MILLION** IN **CHARITABLE DONATIONS** TO OUR COMMUNITIES

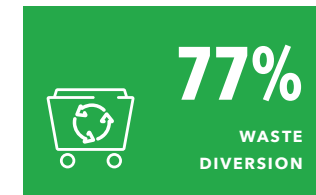


**RESCUED 91.2 MILLION POUNDS OF FOOD** FROM OUR FACILITIES ACROSS THE COMPANY THROUGH KROGER'S ZERO HUNGER | ZERO WASTE FOOD RESCUE PROGRAM, INCLUDING **74.3 MILLION POUNDS OF FOOD** FROM OUR RETAIL STORES

## ZERO WASTE



**ACHIEVED ZERO WASTE** TO LANDFILL FOR OUR 34TH MANUFACTURING PLANT



REACHED 77% WASTE DIVERSION COMPANY-WIDE

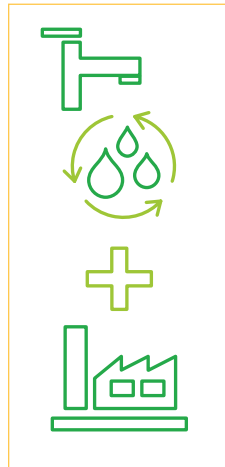


NAMED U.S. EPA ENERGY STAR PARTNER OF THE YEAR

HIGHLIGHTS



# HIGHLIGHTS



**ADDED A NEW ANAEROBIC WASTEWATER TREATMENT PLANT AT KB SPECIALTY FOODS IN INDIANA**



**ACHIEVED \$2 BILLION IN SIMPLE TRUTH® BRAND SALES**



**\$1,000,000,000**

GENERATED \$1 BILLION IN **ORGANIC PRODUCE SALES**



**PROVIDED \$3.5 MILLION IN DISASTER ASSISTANCE FOR COMMUNITIES AND ASSOCIATES AFFECTED BY HURRICANES HARVEY AND IRMA**



**RANKED AMONG TOP 10 AMERICAN COMPANIES FOR INCLUSION BY OMNIKAL**



**SELECTED AS COMPONENT ON THE DOW JONES SUSTAINABILITY INDEX FOR FIFTH STRAIGHT YEAR**



**GAVE \$3.2 MILLION TO THE USO TO SUPPORT VETERANS, SERVICE MEMBERS AND THEIR FAMILIES**

## 2020 SUSTAINABILITY GOALS

Our 2020 Sustainability Goals help us prioritize our investments and efforts to become a more sustainable and responsible company. These goals are intended to drive efficiency in our own operations and increase environmental and social responsibility in our supply chains. While some goals have longer timelines, others are brand new. We will continue to update our goals as our business and sustainability topics evolve.



# 2020 SUSTAINABILITY GOALS

## RESPONSIBLE SOURCING COMMITMENTS

GOAL	TARGET YEAR (BASE YEAR IF RELEVANT)	PROGRESS
<b>RESPONSIBLE SOURCING</b>		
<p>Kroger will source 100% (all species) of wild-caught seafood in its 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.</p>	2020	<p>In 2017, we sourced 87% of our wild-caught fresh and frozen species by volume under these criteria. <a href="#">Read more.</a></p> <p>We will continue to work with WWF to support its FIP program through funding, sourcing and supplier engagement.</p>
<p>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.</p>	2020	<p>In 2017, we sourced 75% of our total volume from MSC certified fisheries. <a href="#">Read more.</a></p> <p>We will continue to work with WWF to support its FIP program through funding, sourcing and supplier engagement.</p>
<p>Kroger maintains its commitment to source 100% of shelf-stable tuna from companies aligned with the International Seafood Sustainability Foundation (ISSF).</p>	2020	<p>We continue to source 100% of shelf-stable tuna from ISSF member companies. We also review their compliance reports annually to identify any concerns. We have stepped away from our previous commitment to put an identifying label on cans (to demonstrate ISSF partnership) since there is not currently an appropriate labeling scheme to be used on packaging. <a href="#">Read more.</a></p>



GOAL	TARGET YEAR (BASE YEAR IF RELEVANT)	PROGRESS
<p>By 2020, 100% of farm-raised seafood in our Seafood Department will be certified to sustainable seafood certifications and programs recognized by the Global Sustainable Seafood Initiative (GSSI).</p>	<p>2020</p>	<p>For the following species—tilapia, salmon, pangasius, mussels and trout—more than 90% of the farm-raised fish in Kroger’s Seafood Department is certified to the BAP Two-Star level or greater. <a href="#">Read more.</a></p>
<p>Kroger’s goal is to transition to a 100% cage-free egg supply chain by 2025.</p>	<p>2025</p>	<p>In 2017, 21% of the eggs sold in our stores were cage-free. We anticipate being able to increase the percentage of eggs that are cage-free as our suppliers make these available, and commit to working our supply chain to influence this work. <a href="#">Read more about our animal welfare initiatives.</a></p>
<p>By the end of 2015, Kroger will purchase 100% certified sustainable palm oil (CSPO) in <i>Our Brands</i> products.</p>	<p>2015</p>	<p><b>Achieved!</b> At the end of 2015, we achieved this goal. We continue to work with suppliers to maintain the integrity of this commitment. <a href="#">Read more.</a></p>
<p>All milk and dairy product suppliers that supply our dairy processing plants and grocery assortment will be enrolled and in good standing in the National Dairy Farmers Assuring Responsible Management (F.A.R.M.).</p>	<p>Ongoing</p>	<p><b>Achieved!</b> 100% of suppliers supplying raw milk and all other dairy products to Kroger’s dairy processing facilities and grocery assortment are currently enrolled in F.A.R.M. <a href="#">Read more.</a></p>
<p>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.</p>	<p>Ongoing</p>	<p>We require 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 2017, 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></p>
<p>Kroger will partner with The Sustainability Consortium to assess key commodities using their commodity mapping tool, which is designed to help identify and further understand social environmental risks in upstream commodities.</p>	<p>Ongoing</p>	<p>As part of this initiative, we are evaluating risks such as water scarcity, biodiversity and child labor in the supply chain. In late 2017, we leveraged TSC’s tools, expertise and guidance to conduct a pilot supplier engagement project with the objective of gaining increased knowledge of key social and environmental impacts in our cocoa supply chain, and to contribute to TSC’s ongoing development of product- and commodity-specific metrics to assess supply chain impacts. <a href="#">Read more.</a></p>



# ENVIRONMENTAL STEWARDSHIP COMMITMENTS

GOAL	TARGET YEAR (BASE YEAR IF RELEVANT)	PROGRESS
<b>ZERO WASTE</b>		
<p>Kroger aims to divert 90% or more of waste in our operations from landfill by 2020.</p>	<p>2020</p>	<p>In 2017, we diverted 77% of waste generated from landfill. <a href="#">Read more.</a></p>
<p>Kroger aims to achieve zero food waste as a company by 2025.</p>	<p>2025</p>	<p>In 2017, Kroger worked with partner WWF to baseline its food waste footprint in its retail stores, as a starting point.</p> <p>Our data analysis indicates that in 2017, about 73% of food waste produced in our stores went to landfill, while 27% was diverted to animal feed, composting or anaerobic digestion.</p> <p>We have set interim goals and milestones to drive progress towards our 2025 goal through improved execution on our existing food waste reduction and diversion programs. <a href="#">Read more.</a></p>
<p><b>Source Reduction</b></p> <p>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>	<p>2020</p>	<p>In 2017, we shipped 140 million RPCs of fresh produce to our stores, up from 120 million in 2016. <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 Program (FRP).</li> <li>• Implement FRP programs in Kroger family of stores distribution centers.</li> <li>• Continue to train associates and collaborate with local food banks.</li> </ul>	<p>2020</p>	<p>In 2017, we donated 325 million meals to those in need through food and monetary donations.</p> <p>This year, we 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>• Our Logistics team donated more than 10 million pounds of fresh food through our Food Rescue Program in 2017.</li> <li>• We added cauliflower, bananas, broccoli, asparagus, green beans and celery into the program in 2017.</li> <li>• By the end of 2017, 99% of Kroger’s stores were participating in the Food Rescue Program.</li> </ul> <p><a href="#">Read more about the Food Rescue Program.</a></p>



GOAL	TARGET YEAR (BASE YEAR IF RELEVANT)	PROGRESS
<p><b>Feeding Animals</b></p> <p>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 2017, we diverted 72,400 tons of food waste to animal feed operations across our operations. As of 2017, 1,978 stores across our enterprise had programs to recycle food waste through composting, animal feed or anaerobic digestion processes. <a href="#">Read more.</a></p>
<p><b>Industrial Uses</b></p> <p>In California, Kroger’s innovative Food Recovery System converts food waste and dairy plant effluent into renewable energy through anaerobic digestion. Kroger will continue to look for opportunities to leverage this technology elsewhere.</p>	2020	<p>In 2017, we launched its second anaerobic digester to replace an aging wastewater treatment plant at the KB Specialty Foods manufacturing plant in Greensburg, Indiana. Like our first digester, this one can also provide energy for our facility. <a href="#">Read more.</a></p>
<p><b>Composting</b></p> <p>In retail locations, we will continue to expand composting operations that provide nutrients back to our environment, where feasible.</p>	2020	<p>In 2017, we diverted 42,400 tons of food waste for composting across our business. As of 2017, 1,978 stores across our enterprise had programs to recycle food waste through composting, animal feed or anaerobic digestion processes. <a href="#">Read more.</a></p>
<p><b>Plastic Recycling</b></p> <p>Kroger will recycle over 200 million pounds more plastic by the end of 2020, from a baseline of 2016.</p>	2020 (2016)	<p>In 2017, we recycled 66.15 million pounds of plastic in its operations, for a total of 134.48 million 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></p> <p>Kroger will recover over 3.3 billion tons of cardboard annually by the end of 2020.</p>	2020	<p>Our stores, manufacturing plants and distribution facilities recycled more than 2.43 billion pounds of corrugated cardboard in 2017, up from 2.35 billion pounds in 2016. <a href="#">Read more.</a></p>
<p><b>Construction Sites</b></p> <p>Our goal was to have 50% of new stores and remodels to be zero waste, for 2016.</p>	2016	<p>In 2017, 89 of our projects achieved zero waste, meaning they diverted 90% or more of the waste produced away from landfill. This represents 44% of projects that participated in zero waste, and 21% of all projects. In total, these projects diverted 79,000 tons of waste from landfill, or 87% of all waste produced. <a href="#">Read more.</a></p>



GOAL	TARGET YEAR (BASE YEAR IF RELEVANT)	PROGRESS
<b>100% 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></p> <p>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></p> <p>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></p> <p>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></p> <p>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></p> <p>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></p> <p>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 is pursuing multiple projects in pursuit of optimizing <i>Our Brands</i> product packaging to be more sustainable. The focus on <i>Our Brands</i> packaging is intended to reduce the amount of plastics in our packaging, increase recycled content and certified virgin fiber, plus increase recyclability.</p> <p>The biggest example of source reduction is the redesign of <i>Our Brands</i> gallon milk jug. The new milk jug still is made of the same 100% recyclable high-density polyethylene as the old jugs, but the unique design allows us to use approximately 10% less plastic while retaining the same performance. As of the end of 2017, Kroger had rolled this new jug out to six Kroger dairy processing plants, with additional facilities coming on board throughout 2018. This reduction has put us well on our way to achieve our goal to reduce plastic packaging in <i>Our Brands</i> products we manufacture by 10 million pounds. By the end of 2017, we had reduced plastic by more than 4.8 million pounds, and have completed or planned an additional 5.6 million pounds of reductions in 2018 and 2019.</p> <p>We also continue to improve our product labels as part of our packaging updates to help increase awareness among our customers about how to recycle our packaging. We label recyclable <i>Our Brands</i> products according to the Federal Trade Commission's Green Guides, prompting our customers to "Please Recycle."</p> <p>We regularly assess opportunities to increase recyclability of our products and to incorporate more recycled content into the materials we use, with the objective of finding opportunities that meet both sustainability and business needs.</p> <p>We are actively engaging in industry collaboration groups and directly with our stakeholders on these topics. To accelerate efforts to achieve our packaging goals, Kroger joined the Sustainable Packaging Coalition in 2017.</p>



GOAL	TARGET YEAR (BASE YEAR IF RELEVANT)	PROGRESS
<b>ENERGY AND CARBON EMISSIONS REDUCTION</b>		
<p><b>Transportation Efficiency</b></p> <p>Kroger will improve our Ton Miles Per Gallon (TMPG) by 20% by 2020, using a 2010 baseline.</p>	2020 (2010)	As of 2017, we achieved an 8.1% improvement since 2010, up from 7.5% in 2016. <a href="#">Read more.</a>
<p><b>Refrigerant Leaks</b></p> <p>Kroger committed to reduce refrigerant leaks by 10% in its stores by 2017, as part of the EPA's GreenChill Program.</p>	2017 (2016)	In 2017, we achieved our goal to reduce refrigerant emissions by 10% in our supermarkets and set a new goal to achieve a 9% reduction in 2018. <a href="#">Read more.</a>
<p><b>Energy Consumption</b></p> <p>Kroger will reduce cumulative energy (electricity) consumption in its supermarkets by 40% by 2020, using 2000 as a baseline year.</p>	2020 (2010)	By 2017, we had achieved an electricity savings of about 38% in our supermarkets since 2000, putting us on track to achieve our goal by 2020. This is an increase of about 3 percentage points from last year. <a href="#">Read more.</a>
<p>Kroger Manufacturing sets annual goals to reduce electricity consumed-per-unit-produced by 3%.</p>	2017	Collectively, our plants reduced electricity consumed by 1.86% per-unit-of-production in 2017. <a href="#">Read more.</a>
<p>Kroger Manufacturing sets annual goals to reduce natural gas consumption-per-unit-produced by 3%.</p>	2017	Collectively, our plants reduced natural gas consumed by 0.32% per unit of production in 2017. <a href="#">Read more.</a>
<b>WATER REDUCTION</b>		
<p>Kroger will reduce water consumption by 5% by 2020 in its supermarkets, using 2015 as a baseline year.</p>	2020 (2015)	To date, our supermarkets have achieved water savings of 0.5% thanks to water efficiency measures and improvements. <a href="#">Read more.</a>
<p>Kroger Manufacturing sets annual goals to reduce water usage intensity by 3% (water consumption per unit produced) across all our plants.</p>	2017	In 2017, our plants achieved a 2.98% reduction in water intensity (2.75% total reduction) across our plants. <a href="#">Read more.</a>





## ABOUT THIS REPORT

# 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), which were introduced in 2016. 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. Because we are a grocery retailer with tremendous size and scale, we believe Kroger is uniquely positioned to contribute significantly to several key SDGs.

Kroger’s **Zero Hunger | Zero Waste** social impact plan, introduced in 2017, 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. This directly aligns with **SDG 2: Zero Hunger** with our target to donate 3 billion meals by 2025—5 years ahead of the Global Goal.

It also aligns with **SDG 12: Responsible Consumption and Production** and our goal 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.

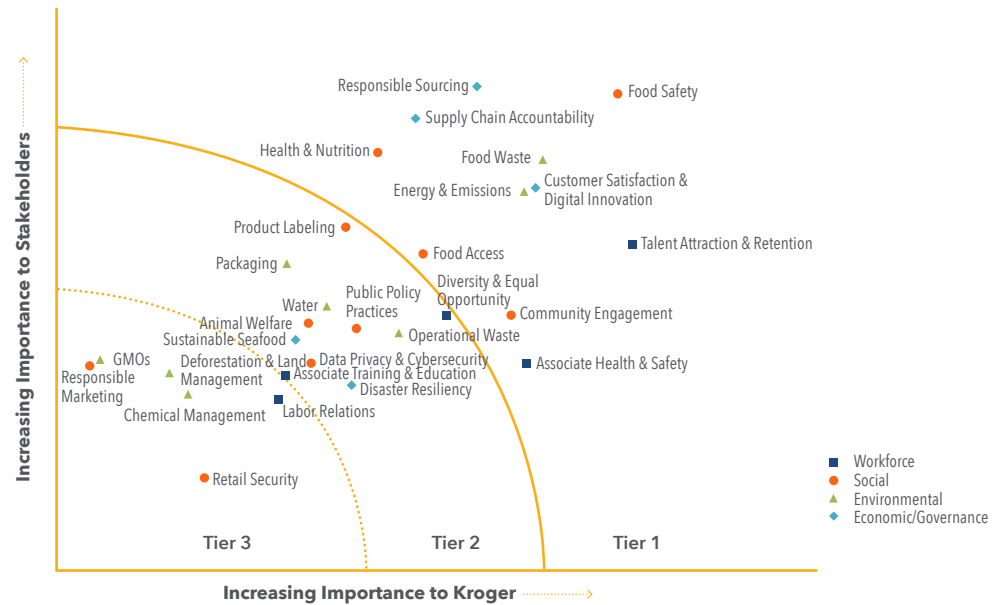
Our **Zero Hunger | Zero Waste** plan as well as our other social and environmental commitments and initiatives also advance positive outcomes on additional Sustainable Development Goals. For example:

- 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 initiatives 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**.

Our efforts to use natural resources more responsibly; increase efficiency and reduce waste in our operations; and advance health, safety and well-being for our associates, customers and communities all support a more resilient, sustainable world. By leveraging collaboration, partnership and engagement, we work with our stakeholders to meet these important, shared goals.

## RELATIVE PRIORITY OF SUSTAINABILITY TOPICS



GRI 102-46

## DEFINING REPORT CONTENT

In anticipation of publishing our first sustainability report in accordance with the GRI Global Sustainability Reporting Standards, we conducted our first formal materiality assessment in 2017, under the guidance of a consultant, to demonstrate our commitment to applying each of GRI's Reporting Principles.

**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 “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 set 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 guided the development of our 2018 Sustainability Report in accordance with the Materiality and Completeness Principles.

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 interest to our stakeholders.



## MATERIAL TOPICS

Below is a summary of the 11 most material topics, identified by our materiality assessment, including the topic name, description and boundary (internal and/or external to the Kroger family of companies). Following this table, we provide a discussion of key issues raised by stakeholders through the materiality assessment process and ongoing engagement. We also note which stakeholders were particularly concerned about these most material topics in the relevant sections of the report.

	TOPIC	DEFINITION	BOUNDARY
CUSTOMERS & COMMUNITIES	Customer Satisfaction & Digital Innovation	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
	Health & Nutrition	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
	Food Access	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
	Community Engagement	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, investing in women’s health initiatives, and supporting our military and their families.	<b>Internal</b> –All operations <b>External</b> –Communities, NGOs
PEOPLE	Associate Health & Safety	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
	Talent Attraction & Retention	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
PLANET	Food Waste	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
	Energy & Emissions	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, fleet/logistics operations, and building construction.	<b>Internal</b> –Retail Operations, Manufacturing, Logistics <b>External</b> –Suppliers to Manufacturing
PRODUCTS	Responsible Sourcing	Developing and adhering to procurement practices that support supplier diversity, 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
	Supply Chain Accountability	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
	Food Safety	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, Logistics, Retail Operations <b>External</b> –Customers, Suppliers

Additional information about our approach to identifying and engaging stakeholders outside of the materiality assessment and report definition process can be found in the [About Kroger](#) section of this report.



# SIMPLE TRUTH® HAS THE MOST FAIR TRADE CERTIFIED™ PRODUCTS OF ANY PRIVATE-LABEL BRAND

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. Diverse groups and individuals voice their desire for our family of companies to be a responsible corporate citizen in the communities where we operate our stores and facilities, and to the people we affect through our business operations. We share this sentiment, and our goals and programs reflect this.

We believe our work in 2017 demonstrates our commitment to making Kroger a great place to work and a trusted member of our communities. Notable examples are highlighted below, and more detail is provided in the in-depth discussion on each of the above topics in this report:

• **Restock Kroger**—Through this three-year business plan, Kroger has identified four key focus areas that speak to our stakeholders’ priorities and define our strategic imperatives:

1. *Redefine Grocery Customer Experience,*
2. *Partner for Customer Value,*
3. *Develop Talent, and*
4. *Live Our Purpose.*

- **Zero Hunger | Zero Waste**—Through our bold social impact plan, we are committed to end hunger in our communities and eliminate waste across the company by 2025. Working with trusted national partners and introducing our Zero Hunger | Zero Waste Innovation Fund will help accelerate progress toward our vision in our communities and for the environment.
- **Supplier Hub**—We accelerated the development and launch of the new database platform called Supplier Hub to help the company prepare for compliance with regulatory requirements and to benefit from centralized supplier data management.
- **Launched new energy projects**—In 2017, we opened our second anaerobic digester, a wastewater treatment plant at our KB Specialty Foods manufacturing plant in Greensburg, Ind. This new plant manages food by-products from facility processes while minimizing odors and producing renewable biogas for plant power. We also launched three new solar power and shade canopies at Fry’s stores in Arizona. And we made great progress against our energy savings goals through initiatives like retrofitting lights to LEDs in more than 1,500 stores.

- **New governance assets**—Our family of companies is introducing several new and updated governance documents to articulate our commitment to be a responsible corporate citizen, to reduce our social and environmental impacts and to influence positive change in our supply chains. Through our new Statement on Human Rights, Responsible Sourcing Framework and Commitment to Phase out Neonicotinoids, as well as our updated Animal Welfare Policy and Sustainable Seafood Policy, we continue to build comprehensive programs to address the many aspects of a complex and dynamic food system and supply chain.
- **Expanding Simple Truth® Brand**—Kroger’s own Simple Truth® and Simple Truth Organic® product lines, which are free from over 100 artificial ingredients and designed to make good-for-you products more affordable, reached a record \$2 billion in sales in 2017. We continue this popular product line with more than 1,400 products today. Simple Truth® also has the leading number of Fair Trade Certified™ products of any private-label brand, further demonstrating our commitment to offer products that customers can feel good about.

GRI 102-48, 102-49, 102-50, 102-51, 102-52, 102-56

## REPORT SCOPE

This report covers the Kroger family of companies' 2017 fiscal year which ran from January 29, 2017 to February 3, 2018. Unless otherwise noted, data included in the report reflects this time period. Kroger publishes its sustainability reports annually. Our previous sustainability report, covering the 2016 fiscal year, was published in July 2017.

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 in the process of integrating more recently-acquired banners into its data tracking systems. To that end, as we continue to improve our data collection and tracking capabilities, we will restate previous years' data to reflect where historic data points have been added. Where this has occurred, we will note this in the relevant report section and data.

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 may increase or decrease slightly, the overall scope of topics included remains largely unchanged, except for Health & Nutrition, which we are covering in significantly more depth in this report.

GRI 102-54, 102-55

## GRI ALIGNMENT

This report has been prepared in accordance with the GRI 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.

## RECOGNITION

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



ABOUT  
THE  
KROGER  
COMPANY

ABOUT THIS  
REPORT

**ZERO HUNGER |  
ZERO WASTE**

Zero Hunger

Zero Waste

Zero Hunger |  
Zero Waste  
Champions

OUR CUSTOMERS  
& COMMUNITIES

OUR PEOPLE

OUR PLANET

OUR PRODUCTS

GRI INDEX

2017 AWARDS



**Our communities  
with zero hunger  
and zero waste**

**It's our vision.  
And we have a plan.**



**THE KROGER FAMILY OF COMPANIES HAS A LONG HISTORY OF BRINGING HELP AND HOPE TO THE COMMUNITIES WE SERVE. SINCE OUR EARLIEST DAYS, KROGER HAS TAKEN CARE OF OUR NEIGHBORS AND EACH OTHER.**

## OUR VISION

As part of our *Restock Kroger* plan, we declared **Zero Hunger | Zero Waste** as one of the fundamental pillars that enables us to live Our Purpose: to Feed the Human Spirit™. Kroger's Zero Hunger | Zero Waste social impact plan, introduced in September 2017, evolved from a strategic look at what was authentic to our past while also encompassing our potential future contributions to society.

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.

As America's grocer, we believe we have to do something about that. Perhaps more importantly, we believe we can address this absurdity because Kroger has both the scale and local connections to our communities to tackle this challenge.

A world with Zero Hunger | Zero Waste: that's our vision. We have a seven-point plan to guide us along the way.

Follow our journey at [#ZeroHungerZeroWaste](https://www.kroger.com/zero-hunger-zero-waste).



**ZERO HUNGER  
ZERO WASTE**

# Kroger's Plan

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



**\$10MM FUND** 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



## ZERO HUNGER

In 2017, the Kroger family of companies:

- Directed a total of \$358 million in charitable giving—in food and funds—to our communities.
- About \$181 million focused on hunger relief. This equals 325 million meals, or more than 6 million meals a week. This reflects more strategic alignment of our charitable giving to our social impact plan.
- Rescued 91.2 million pounds of food through our Zero Hunger | Zero Waste Food Rescue program. Of that, our retail stores rescued 74 million pounds of food for donation, an increase over the previous year.
- Increased store engagement in Zero Hunger | Zero Waste Food Rescue.

### GOALS FOR 2018:

1. Achieve 100% consistent store participation in Zero Hunger | Zero Waste Food Rescue. In 2017, 99% of stores participated; however, 74% participated consistently.
2. Design Zero Hunger | Zero Waste Food Rescue Store Certification.
3. Raise awareness and celebrate progress.



## ZERO WASTE

In 2017, we:

- Achieved a waste diversion rate of 77% across our family of companies, on our way to reaching our goal of zero operational waste to landfill by 2020.
- Conducted a food waste analysis on our retail store operations to set a baseline for achieving zero food waste by 2025.
- Reviewed and mapped the current state of food waste recycling across our super-market divisions.
- Sustained our level of zero waste in our Manufacturing operations, with 34 of 36 Kroger-operated plants achieving 90%+ diversion from landfill. Our Logistics team also achieved zero waste from landfill.

### GOALS FOR 2018:

1. Manufacturing plants continue to increase amount of waste recycled.
2. Retail supermarkets achieve 68% waste diversion enterprise-wide (currently at 59%).
3. Increase food waste recycling programs.





**1 in 8**  
Americans experiences  
**hunger**

  
COMMITMENT:  
**Donate**  
**3 Billion**  
meals by 2025



## LOOKING AHEAD

In addition to these achievements, we identified several workstreams to determine how to leverage Kroger’s resources and partnerships to achieve our vision of a world with Zero Hunger | Zero Waste. Teams are focusing on:

- Plans to launch Kroger’s Zero Hunger | Zero Waste Innovation Fund;
- Opportunities to improve food security in our communities; and
- Ways to prevent and reduce food waste.

A brief discussion of each follows.



## ZERO HUNGER | ZERO WASTE INNOVATION FUND

An exciting element of Kroger’s social impact plan is the \$10 Million Zero Hunger | Zero Waste Innovation Fund. A few years ago, Kroger put an extra \$10 million in The Kroger Co. Foundation. Now we are going to use it to fund new ideas and scalable solutions to help end hunger, and particularly, to prevent and reduce food waste.

We are working closely with ReFED, a multi-stakeholder nonprofit organization focused on food waste reduction, to develop our program focus, fund strategy and governance model for our Innovation Fund. We believe the Zero Hunger | Zero Waste Innovation Fund will give Kroger a platform to work with food waste industry leaders and seek input from other partners and stakeholders. We look forward to gathering ideas, collaborating with partners and finding innovative solutions to help transform our communities.

The initial phase of our work will focus on creating a national grant portfolio spanning the innovation spectrum from concept to scale. Our goal is to help convene an ecosystem of partners aligned with our vision of a world with Zero Hunger | Zero Waste to help achieve long-term change in the food system and in our communities. We anticipate making a public call for proposals in late 2018.



**40%**  
of food produced  
in the U.S. goes to  
**waste**

  
COMMITMENT:  
**Achieve**  
**Zero Food**  
**Waste**  
by 2025





# ZERO HUNGER

WE ARE WORKING WITH 84.51°, [FEEDING AMERICA](#) AND OTHER PARTNERS TO FIND INNOVATIVE SOLUTIONS THAT WILL HELP END HUNGER IN OUR COMMUNITIES.

## COMMITMENT: END HUNGER IN OUR COMMUNITIES BY 2025

To help improve food security in our communities, we are focused on:

**Accelerating donations:** We are reviewing opportunities to increase donations through our Zero Hunger | Zero Waste Food Rescue program. This includes improved store execution of our current program, and working with our partners at Feeding America, WWF and others to include more items.

**Applying analytics and insights:** We are connecting insights from 84.51°—Kroger’s customer insights and analytics team—with Feeding America’s latest Map the Meal Gap data and other important inputs to identify areas where Kroger can uniquely contribute to ending hunger in our communities. This includes work with Feeding America’s Center for Applied Research in Action (CARA).

**Focusing on geographic hotspots:** Leveraging these insights, we will focus on key areas of need in our communities around the country to test scalable solutions for improving food security for families.

**Leveraging technology:** We will evaluate and test innovative ideas and technology solutions that show promise in ending hunger and eliminating waste.

**Raising awareness:** Kroger helps promote the value of food, showing how to stretch the shelf life of food and waste less. We offer a monthly “Wilted to Wonderful” blog series on [www.krogerstories.com](http://www.krogerstories.com), featuring tips from our own Kroger Chef Brandon Fortener.

Please see the [Food Access](#) section for additional information about our commitment to our communities.

## ACCELERATING DONATIONS

Our ambitious Zero Hunger | Zero Waste plan includes commitments to donate 1 billion meals by 2020 and 3 billion meals by 2025. In 2017, we donated 325 million meals as a family of companies—in food and funds. Increasing the number of meals depends in part on how well we implement our **Zero Hunger | Zero Waste Food Rescue** program.

Developed by Kroger in partnership with Feeding America as an engine to direct more nutritious food to families in need, this industry-leading program was first called the Perishable Donations Partnership. Now re-imagined as Zero Hunger | Zero Waste Food Rescue, it 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 service, we rescue wholesome food that can no longer be sold to Feeding America-affiliated food banks, local pantries and agencies. We offer produce, dairy, bakery, meat and 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. Working with Kroger’s food safety experts and our food bank partners, we continuously expand the program to include more items that can be safely donated to help end hunger and reduce food loss. In 2017, we added several healthy produce items to the approved donations list, including asparagus, bananas, broccoli, cauliflower, celery and green beans.

Working with our partners and food safety team, we will further expand the program and donate significantly more food. In 2018, we are focused on increasing donations through improved associate awareness, store execution and expanded donation categories. We are re-introducing the program—with materials like the ones shown here—to show associates how they help end hunger in their communities and reduce food waste every day.

We track and report each retail division’s performance in Food Rescue each period.



To learn more about the Zero Hunger | Zero Waste Food Rescue program in action, read about our local partners Mid-Ohio Food Bank and God’s Pantry at [www.KrogerStories.com](http://www.KrogerStories.com).





# ZERO WASTE

IT TAKES PRECIOUS NATURAL RESOURCES TO MAKE THE FOOD THAT NOURISHES US. LET'S NOT WASTE IT.

## COMMITMENT: ELIMINATE WASTE ACROSS OUR COMPANY BY 2025

The Kroger family of companies is focused on preventing and reducing operational waste and food waste. We committed to achieve zero waste in our operations as part of our 2020 Sustainability Goals. As part of Kroger's Zero Hunger | Zero Waste plan, we also committed to eliminate food waste by 2025.

Eliminating food waste starts with understanding our current food waste footprint. After introducing Zero Hunger | Zero Waste, we began an engagement with World Wildlife Fund to study our retail supermarket food loss and waste. Our Sustainability and Retail Operations teams worked with World Wildlife Fund's Food Waste Program leaders and analysts to:

- Finalize the current state of food waste in our retail stores with year-end 2017 food loss and waste data;
- Set a baseline for achieving zero food waste by 2025;
- Establish a framework for transparency in food waste reporting;
- Create internal dashboards to report progress and celebrate achievements; and
- Identify priorities for deep-dive work and pilot projects to reduce food waste.

We completed the first phase of work and are pleased to share Kroger's food waste reporting framework in the [Food Waste](#) section of this report. We sincerely thank the WWF team for their expertise and leadership, and we appreciate the support of our Retail Operations partners and associates who are eager to help eliminate food waste across our company.

Please see the [Planet](#) section for additional information about Waste and Food Waste in our operations.



## PROJECTS TO PREVENT & REDUCE WASTE

We know it will take transformational ideas to end hunger and eliminate waste. We don't have all the answers, so we're inviting our experts, partners and others to help find solutions that work. Part of our commitment includes test-and-learn projects, where we'll find new ideas, launch pilots and look for scalable results.

Key focus areas include:

**Projects to address areas of opportunity:** We are using our food loss and waste data to identify the areas of biggest opportunity to increase food rescue donations and prevent and reduce food waste. As a next step in our partnership with World Wildlife Fund, we will pursue several projects to advance our journey to prevent and reduce food waste, including work with our Deli, Seafood and Produce teams, and in our distribution centers.

**Zero Hunger | Zero Waste Food Rescue Certification:** To increase donations, we are creating a store certification program to help retail associates implement our Zero Hunger | Zero Waste Food Rescue program and to recognize progress.

**Zero Waste Toolkit:** We will create and share best practices to help our retail store teams understand how to move farther down the path to zero food waste by 2025.



## FOOD RESCUE CHALLENGE

To facilitate a conversation around the topics of food insecurity and food waste, Kroger and the Freestore Foodbank, a Feeding America-affiliated food bank, hosted a Food Rescue Challenge in April 2017 in Cincinnati. The event featured a challenge involving rescued food, teams of local restaurant chefs and Cincinnati Cooks! students, plus community and government leaders and other hunger relief agencies.

Here's how it worked:

**Food Rescue Challenge:** Fresh rescued food from Kroger's Zero Hunger | Zero Waste Food Rescue program was delivered to chef teams who created a meal using the items. For this challenge, chefs and students didn't know what food they would receive until it arrived. Then they were asked to transform the ingredients into elegant fare for the tasting event.

**Community Tasting Table & Conversation:** Kroger, community and government leaders, and leaders from local hunger relief agencies enjoyed an evening of food prepared by the area's top chefs—along with a thoughtful conversation about ending hunger in Greater Cincinnati.

Kroger hosted a similar Food Rescue Challenge with three celebrity chefs at this year's Natural Products Expo West. Watch the [video](#).





# ZERO HUNGER ZERO WASTE

## HIGHLIGHTS ACROSS THE COUNTRY

ON THE ROAD TO END HUNGER AND ELIMINATE WASTE



### Oregon Wasted Food Study

*Research Study:* The Fred Meyer Division is working with Portland State University & the Oregon Department of Environmental Quality to understand how much food is wasted in the state, how and why, and what can be done to reduce waste.

### Natural Products ExpoWest

In our 16<sup>th</sup> at ExpoWest, we hosted our exclusive First Pitch and Town Hall events. The Town Hall featured a celebrity chef tasting with three distinguished chefs – Roy Choi, Phillip Frankland Lee and Chelsea's Messy Apron – who helped host the event and show how to turn rescued food into elegant fare.



### Food Waste Diversion

Our King Soopers and City Market stores are ramping up food waste diversion. For all the food that can't be donated to our local food bank partners, 123 stores run a robust food waste recycling program, diverting 8,700 tons of food to animal feed and composting last year.

### Hurricane Relief

We provided \$200,000 in grants to food bank partners in the Atlanta and Houston regions and directed over \$1 million in food, water and necessities to help our communities recover after Hurricanes Harvey and Irma.

### Get Food Smart Tennessee

Kroger is an inaugural partner of Get Food Smart Tennessee, which focuses on increasing food recovery and reducing food waste in the state. State leaders recently honored Kroger and highlighted our Zero Hunger | Zero Waste plan.

### Round Up to End Hunger

Our Cincinnati Division joins Columbus and Michigan – the latest to invite customers to **Round Up to End Hunger** in our stores. When customers round up their purchase to the nearest dollar, the proceeds to the designated Feeding America-affiliated food bank in their community to improve food security for local families.

### Meal Connect Pilot

Our Michigan Division is starting a pilot to test Feeding America's Meal Connect app in select stores to see if it helps increase donations through Kroger's Zero Hunger | Zero Waste Food Rescue program.

### Johns Hopkins Bloomberg School of Public Health

*Research Study:* Kroger's Mid-Atlantic Division is participating in a study on grocery retail associates' perspectives on food discarded in stores.

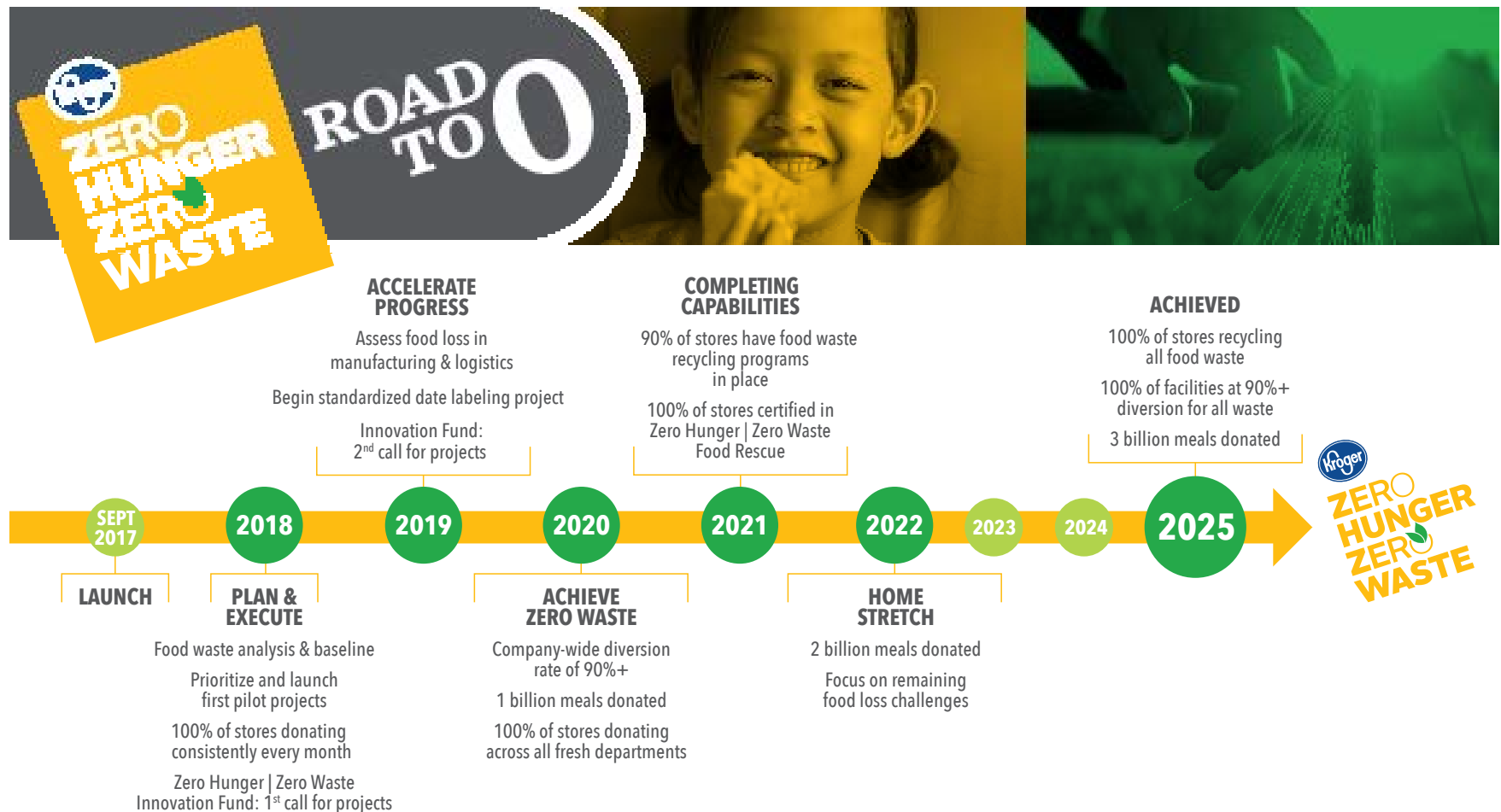
### Improving Food Access

We donated refrigerated trucks to Feeding America of Southwest Virginia and FeedMore of Central Virginia to address transportation needs and improve the availability of wholesome food in our communities as part of our Zero Hunger | Zero Waste plan.

For more information about our local outreach efforts, please see the [Community Engagement](#) section.



TOGETHER WITH OUR PARTNERS, WE ARE MAKING PROGRESS ON OUR ZERO HUNGER | ZERO WASTE PLAN. HERE IS A GENERAL OVERVIEW OF OUR CURRENT SHORT- AND LONG-TERM MILESTONES FOR THE JOURNEY AHEAD.





# CHAMPIONS



## AT KROGER, WE HAVE SOME TRUE ZERO HUNGER | ZERO WASTE CHAMPIONS AMONG OUR RANKS.

In our communities from coast to coast, Kroger associates freely give their time and talents to local organizations, going the extra mile to make a difference. As trusted partners to hundreds of community organizations, they lift up the hometowns we share.

This year, to reflect the spirit of Kroger's Zero Hunger | Zero Waste social impact plan, we aligned our long-standing Community Service Awards to focus on hunger relief and waste reduction. This award is our way of thanking the dedicated associates—both individuals and teams at our stores, plants and other locations—who make our communities brighter through volunteerism.

Our associates are passionate about our vision of a world with Zero Hunger | Zero Waste, and they help raise awareness at work and away. Many organize fundraisers at their store and in the community, participate in local events, work with food pantries and hunger relief agencies, and champion recycling programs. We are pleased to recognize those who go above and beyond.

Of course, we have many more Zero Heroes than listed here. We thank Kroger associates across the country for joining our journey to end hunger in our communities and eliminate waste across our company by 2025.







# THESE VALUED ASSOCIATES TRULY ARE ZERO HEROES

SUPERMARKET DIVISION	ASSOCIATES	MANUFACTURING	ASSOCIATES
<i>Atlanta</i>	Store #670	<i>Winchester Farms Dairy</i>	Darrell Lacy
<i>Central</i>	Michael Pastirik	<i>Anderson Bakery</i>	John Haymond
<i>Cincinnati</i>	Danny Baker	<i>Westover Dairy</i>	Keith Wendland
<i>Columbus</i>	Sandra Dargahi	<i>Mountain View Foods</i>	Phung Le
<i>Dallas</i>	Patricia Grafton	<i>Pontiac Foods</i>	Roberta McKelvin
<i>Delta</i>	Store #478		
<i>Dillon Stores</i>	Kenya Walker		
<i>Food 4 Less</i>	Rita Yamada		
<i>Fred Meyer</i>	Donna King		
<i>Fry's Food Stores</i>	Gwen Wood		
<i>Houston</i>	Aaron Calvert		
<i>King Soopers/City Market</i>	Tony Romero		
<i>Louisville</i>	John Gatton		
<i>Mariano's</i>	Amanda Puck		
<i>Michigan</i>	Christine Ferland	<b>GENERAL OFFICE</b>	<b>ASSOCIATES</b>
<i>Mid-Atlantic</i>	Jeanie Tolbert	<i>Logistics</i>	Armando Bolanos
<i>Nashville</i>	Elizabeth Farar	<i>Kroger Technology</i>	Christy Foxbower
<i>QFC</i>	James Subocz	<i>Fred Meyer Jewelers</i>	Jennifer Burke
<i>Ralphs</i>	Nikki Sims-Allen	<i>84.51°</i>	Cindia Wren
<i>Roundy's</i>	Heidi Abegglen		
<i>Ruler Foods</i>	Julius Thomas		
<i>Smith's</i>	Store #183		





### **KENYA WALKER, BAKER'S**

At the Baker's District 4 office in Omaha, Nebr., Kenya Walker provides administrative HR support for the district team and store associates. She also works with the local United Way, helping lift up members of her community who struggle with hunger.

Kenya actively promoted Strike Out Hunger, an in-store fundraising campaign benefiting the Food Bank for the Heartland. She also helped out at the Food Bank's recent 2018 Celebrity Chef 2018 event with Curtis Stone.

Through this and other work with the Food Bank, the United Way of the Midlands asked Kenya to be part of their Community Food Strategic Work Group, which addresses community hunger issues. At work, Kenya helps Baker's store managers organize events and motivate store associates to get involved.

"Kenya has great passion for this work and how it aligns with Zero Hunger | Zero Waste," says Stacie Falor, District 4 HR manager. "Her enthusiasm to feed the community helps inspire others to do the same."



### **ATLANTA STORE #670**

The team at Kroger Marketplace store #670 in Dawsonville, Ga., was recently recognized for their efforts to help end hunger in their community and eliminate waste. Associates at this store live the spirit of Zero Hunger | Zero Waste at work and through community service.

After opening its doors in November of 2016, the Dawsonville store quickly became a leader in fighting hunger. Last year, the team at #670 directed more than 55,000 pounds of wholesome food to local food banks through Kroger's Zero Hunger | Zero Waste Food Rescue program. This equals about 46,000 meals.

They also raised nearly \$30,000 in additional funds to help end hunger for the Can Hunger campaign and St. Vincent de Paul, among other organizations. These successful food drives were made possible by the store's 300 associates and leaders like Assistant Front-End Manager Lynn Rizzo, who coordinated the in-store campaigns. With food and funds combined, the team provided more than 200,000 meals to their community in 2017.



### **CINDIA WREN, 84.51°**

Cindia Wren, associate director of Facilities at 84.51° in Cincinnati, launched the group's Green Team and brought her passion for sustainability to the forefront at 84.51°. The team's goal: to inspire people to make more sustainable choices.

In 2017, Cindia helped lead the Green Team's work in five focus areas: energy, food, transportation, waste reduction and green spaces. They switched to 100% renewable energy sources for the building, promoted healthier and vegetarian options in the café and added green plants throughout the open workspaces.

Perhaps most ambitious, the team conducted a waste audit and launched a food waste composting pilot at the office. The program, which includes paper towels and coffee grounds, collected about 500 pounds of food waste per week during the pilot. Based on the success of the pilot and high engagement, 84.51° rolled out the full program in 2018.





ABOUT  
THE  
KROGER  
COMPANY

ABOUT THIS  
REPORT

ZERO HUNGER |  
ZERO WASTE

**OUR CUSTOMERS  
& COMMUNITIES**

- Customer Satisfaction & Digital Innovation

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- Health & Nutrition

---

- Food Access

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- Community Engagement

---

OUR PEOPLE

OUR PLANET

OUR PRODUCTS

GRI INDEX

2017 AWARDS



**WE PUT OUR CUSTOMERS AND  
COMMUNITIES AT THE CENTER  
OF EVERYTHING WE DO.**



**OUR CUSTOMERS  
& COMMUNITIES**

WE PUT OUR CUSTOMERS AND COMMUNITIES AT THE CENTER OF EVERYTHING WE DO. BECAUSE WE CARE, WE CONTINUALLY IMPROVE THE SHOPPING EXPERIENCE AND MORE, MAKING OUR COMMUNITIES BETTER PLACES TO LIVE AND WORK. BEING A TRUSTED PARTNER IN OUR COMMUNITIES IS A TOP PRIORITY.



OUR CUSTOMERS & COMMUNITIES

# CUSTOMER SATISFACTION & DIGITAL INNOVATION

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

**KROGER HAS A RICH HISTORY OF CUSTOMER-FOCUSED GROWTH AND INNOVATION. TODAY, ONE OF THE FOUR DRIVERS OF OUR *RESTOCK KROGER* PLAN IS REDEFINING THE GROCERY CUSTOMER EXPERIENCE.**

The Kroger family of companies is uniquely positioned to be the partner our customers turn to for their meal needs today and tomorrow because we know food, and we know our customers better than anyone. Our management approach to customer satisfaction and digital innovation is based on decades of insights—through our loyalty and data analytics partner 84.51°—and a deep, personal connection to our customers. Our ability to meet our customers’ changing needs through digital innovation is a priority for many of our stakeholders, both internal and external, including our customers and shareholders.

Kroger has long been a leader in customer satisfaction by creating unique, personalized shopping experiences that drive loyalty. We deliver more than 3 billion personalized recommendations to customers each year through our team at 84.51°. We offer customers rewards that matter most to them, including discounts on items they purchase, or offers to try

new products we think they may like. Our industry-leading approach to personalized offers revolutionized customer communications—achieving response rates of more than 60%, which is virtually unheard of.

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.



# WE CONTINUE TO FOCUS ON INCREASING LOYAL CUSTOMER HOUSEHOLDS BECAUSE CUSTOMER LOYALTY DRIVES SHAREHOLDER VALUE.

## CUSTOMER SATISFACTION

We offer exceptional service, convenience and value. We continuously improve the shopping experience through advances in online ordering and more personalized digital solutions leveraging data science and personalization, putting more of the items customers want and buy most on our shelves, and investing in *Our Brands* and pricing.

We ask for and listen to our customers' feedback. They tell us how they want to shop—whether in our stores, by picking up at curbside, or by delivery. We know our stores connect people and deliver rich experiences. We make sure they stay on trend and relevant to the customers we serve.

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 our customers all year long through surveys and personal connections to measure satisfaction and gather feedback so we can keep improving. We also receive more than 13 million comments from our customers every year.

## OUR BRANDS

The data is clear: customers love *Our Brands*. They continue to tell us—in feedback, comments and taste tests—that they are better than the national brands and other private-label products. If ranked on the Fortune 500 list of top national brands, *Our Brands* would be ranked #140. The Kroger brand is universally known among customers and is the largest brand sold in our stores by more than nine times the next largest consumer packaged goods brand.

We also measure customer satisfaction with *Our Brands* through sales and continued growth. In 2017, *Our Brands* achieved its highest-ever unit share of items sold and reached \$20.9 billion in total sales. For more details about *Our Brands*, please visit the [Products](#) section.

Simple Truth®, launched only five years ago, has already reached \$2 billion in annual sales. And 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. Kroger currently carries nearly 300 Fair Trade Certified™ products representing 60 brands.





## DIGITAL GROWTH

Our Digital Strategy—led by a cross-functional team—focuses on making our services more accessible to customers across many channels. Our customers tell us they want multiple ways to shop. They expect a great store shopping experience and the option to interact with us digitally or online 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.

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 ClickList® experience.

ClickList® was inspired by what we learned from Harris Teeter’s ExpressLane online shopping platform. Using these best practices, we introduced our first ClickList® store in Cincinnati during November 2014. Over the last three years, ClickList® has experienced tremendous growth and accelerated customer adoption from coast to coast. We currently offer nearly 1,100 curbside pickup locations with plans to add 500 new locations in 2018.

In 2017, we also introduced Kroger’s new Scan, Bag, Go shopping technology in 18 retail divisions, with

plans to make the service available in 2018 to customers at 400 stores. The Kroger Technology Team invented and built Scan, Bag, Go as well as tested it in several locations. With Scan, Bag, Go, customers use a wireless handheld scanner or the Scan, Bag, Go app on their personal mobile device to scan and bag products as they shop for a quicker shopping and checkout experience. They 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 currently visit a store’s self-checkout area to pay. Soon, customers will be able to pay directly through the app, making shopping even faster. We will offer Scan, Bag, Go as an option alongside traditional checkout lanes staffed by friendly associates, self-checkout, online ordering, curbside pickup, and home delivery in select cities. Like ClickList®, Scan, Bag, Go is one more way for customers to choose when and how they want to shop with us.



**IN 2017, WE ALSO INTRODUCED  
KROGER’S NEW **SCAN, BAG, GO**  
SHOPPING TECHNOLOGY IN  
18 RETAIL DIVISIONS,  
WITH PLANS TO MAKE THE  
SERVICE AVAILABLE IN 2018  
TO CUSTOMERS AT  
**400 STORES.****





## EXPANDING DELIVERY

Kroger began offering home delivery in 2017 from nearly 200 store locations in partnership with service providers like Shipt, deliv, Roadie, Uber, and others. In 2017, the company launched a partnership with Instacart to increase its customer delivery coverage area, first with Ralphs and QFC on the West Coast, then across the country.



With our expanded partnership with Instacart, Kroger currently delivers from more than 1,200 stores nationwide. We now offer home delivery in 45 markets through Instacart and other delivery partners representing the following divisions: Atlanta, Central, Cincinnati, Columbus, Dallas, Dillons, Fred Meyer, Fry's, Harris Teeter, Houston, King Soopers, Louisville, Mariano's, Metro Market, Michigan, Mid-Atlantic, Nashville, Pic 'n Save, Ralphs, QFC, and Smith's.

We will continue to expand our seamless coverage area and enhance the digital shopping experience to provide customers with quicker and easier access to personalized products, recipes, digital coupons,

weekly ads, smart shopping lists, and more. Our customers can experience the seamless experience by shopping on our website or app.

This includes ClickList® and Express Lane, our mobile app, and our ship-to-home and home delivery models. We are accelerating our strategic investments to serve customers anything, anytime and anywhere in the near future.

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.

## CONTINUED INNOVATION

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

As part of the partnership agreement, Kroger will increase its existing investment in Ocado by 5%, bringing the company's total investment to more than 6%. Ocado will partner exclusively with Kroger in the U.S., enhancing Kroger's digital

and robotics capabilities and helping expand its seamless coverage area to provide every family in America with the convenience of shopping for anything, anytime and anywhere. Learn more [here](#).

We will expand our seamless coverage area and enhance the digital shopping experience to provide customers with quicker and easier access to personalized products, recipes, digital coupons, weekly ads, smart shopping lists, and more. Kroger customers can experience the seamless experience by shopping on the company's website or app.





## OUR CUSTOMERS & COMMUNITIES

# HEALTH & NUTRITION

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

**FOR MANY OF OUR CUSTOMERS, GOOD HEALTH AND PROPER NUTRITION ARE IMPORTANT FACTORS IN THEIR DECISION-MAKING WHEN THEY BUY GROCERIES.**

As the country's largest food retailer, we recognize our ability and responsibility to offer healthy product choices and services for the more than nine million customers we serve every day.

Focusing on health and nutrition means we encourage our customers to include more healthful and nutritious products, including organics, in their baskets to improve health; monitor our products to eliminate product fraud; support wellness in our communities through our pharmacy and The Little Clinic operations; and help ensure our product selection supports women's health and infant nutrition.

Our ability to influence diet, public health and wellness extends across our family of companies, from product development and manufacturing, to merchandising and retail operations. This topic is also important to our external stakeholders, like our customers, investors and NGOs.

As part of Kroger's Zero Hunger | Zero Waste plan, we also committed to transform our communities and improve health for millions.







## HOW WE MANAGE HEALTH AND NUTRITION

Our [Wellness Your Way](#) platform is one way we communicate with our customers about commitment to helping them live healthier lives. Wellness Your Way encompasses the offerings of our pharmacies and clinics, as well as our nutrition and activity-related initiatives and our over-the-counter wellness offerings. Reflecting that there are many individual paths to wellness, Wellness Your Way speaks to our customers in a supportive, integrated manner, embodying our vision of helping our customers live healthier lives.

We are committed to continue expanding health and wellness offerings for our customers.

- We will offer at least 1-2 Dietitian's Pick Prep+Pared meal kits with each month's selection.
- We are making health and nutrition simpler through our OptUP app, which helps our customers track improvements in healthy purchases over time.

- We will pilot a Nutrition Technician program, a new associate role that is 100% focused on health and wellness as well as nutrition-related customer engagement. We are tracking produce sales and OptUP scores, among other metrics.

Our president of Pharmacy and The Little Clinic oversees many of our health and nutrition strategies and programs, while our vice president of Grocery & Natural Foods and vice president of *Our Brands* ultimately have responsibility for the natural, organic and 'better for you' products that we offer in store. In addition, in-store initiatives like healthy checklanes



and product signs benefit from the partnership of store operations teams because these associates have direct engagement with our customers. Finally, our corporate food technology, supplier oversight and *Our Brands* teams manage the implementation of product tracking and integrity.

We use several resources to help customers meet their health and nutrition needs, from the teams that manage these initiatives to the technology assets that help track product attributes and communicate product information to our customers.



We added 18 dietitians to the team 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.

# DURING FISCAL 2017, KROGER PHARMACISTS FILLED ALMOST **189 MILLION PRESCRIPTIONS** AT A RETAIL VALUE OF APPROXIMATELY \$10.5 BILLION.

## RETAIL PHARMACY

Kroger is the fifth-largest pharmacy operator in the U.S. in number of locations, operating 2,262 retail pharmacies in our stores. During fiscal 2017, our pharmacists filled 189 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 Therapy Management, and a variety of health screenings. 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), fitness, nutrition and weight management, and smoking cessation. 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

The retail clinic industry continues to grow rapidly and Kroger was on the forefront of this healthcare delivery model when we purchased The Little Clinic in 2010. Currently, The Little Clinic operates in 10 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. Plus, The Little Clinic is one of only two retail clinic organizations that earned accreditation by The Joint Commission for delivering high quality and safe patient care.

Convenience is the number one reason why customers choose to get care at The Little Clinic. 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, offer vaccinations, physicals, preventive care, travel health services, disease management and can even help someone quit tobacco. The Little Clinic has formed clinical affiliations with health systems in several markets. These affiliations are improving access to all levels of care and strengthening care coordination for the patient.

In 2017, The Little Clinic operated 220 clinics and took care of 1.6 million patients, an increase of 15% compared to the previous year. The Little Clinic will continue to expand in 2018 by focusing on further penetration in existing markets and by offering patients a new type of healthcare platform: online care. 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](#).



## GOING BEYOND MEAT

### SUPPORTING DIETARY NEEDS

We strive to offer the products our customers need to meet their health and lifestyle needs. We use our dietitians expertise to identify the healthy diets that customers are adopting and to highlight products that align with these lifestyles, such as carb smart, gluten-free, digestive health, heart smart, vegan and organic. We also highlight easy ways to adopt healthy eating habits, how to eat healthy on a budget and other healthy living tips. Our desire to offer the most nutritious products also encompasses those with specific dietary requirements such as



Kroger Dietitian Allison Kuhn and other dietitians across the country offer tips for healthy eating and shopping to meet lifestyle needs.

infants who need the best-quality products that meet nutritional requirements to support healthy growth, or adults who need nutritional support to manage illnesses.

Our [Sharing Courage](#) campaign is a great example of how we support our community members—in this case, women. As a food retailer, we are well-positioned to provide health-conscious recipes and other healthy living tips to support our community members affected with breast cancer. We donate funds in our local communities, with \$1 million in 2017 and \$36 million donated to date, to support research, mammograms and other treatments, education and the purchase of medical and other supplies. We also share health tips from our partner, the American Cancer Society, as well as healthy recipes from our own dietitians.

Kroger is working with academic partners at the University of Cincinnati on a clinical trial called SuperWIN, which will evaluate the impact of clinical nutrition services provided in stores and via ClickList®, on cardiovascular outcomes of patients and customers.

Some Kroger customers are looking for great-tasting, high-protein alternatives to meat. We began our partnership with Beyond Meat—which offers a plant-based burger that looks and cooks like beef—back in 2015. Today, nearly every Kroger division carries some of Beyond Meat’s plant-based products, including meatless fresh and frozen burgers, meatless beef crumbles and chicken strips.

El Segundo, Calif.-based Beyond Meat’s plant-based burger, the Beyond Burger, launched in our stores last year. It was the first-ever meatless product featured in our fresh meat case, right next to fresh cuts of beef and pork. Initially opening in eight retail divisions, the Beyond Burger is now available in over 850 stores across 14 states. And it’s a big hit: at our Ralphs stores in California, the Beyond Burger outsells all fresh beef patties.

Perhaps surprisingly, 70% of Beyond Meat customers are meat eaters. By offering high-protein meat alternatives like these products, Kroger helps customers meet a variety of specific diets and lifestyle choices. In 2018, we plan to roll out Beyond Meat products to every division and add a new Beyond Meat plant-based sausage line in select stores.

## NATURAL & ORGANIC PRODUCTS

The Kroger family of companies is quickly becoming a top destination when customers are looking for affordable, accessible organic and natural foods. We offer thousands of natural, organic and eco-friendly product choices to meet our customers' needs and preferences for their families and homes. Kroger continues to be one of the largest natural food retailers in the U.S. by sales volume. Natural foods have seen double-digit growth in our stores for the past several years—in fact, sales of natural and organic products passed \$16 billion in 2017 and, of that, about \$1 billion were organic produce sales. As natural and organic products become an important expectation for our customers, we strive to continue to give them more options that support their lifestyle and, in turn, grow our business, including our \$2 billion Simple Truth® brand.

Read more in the [Products](#) section of this report.

Kroger helps customers locate natural and organic products through its Live Naturally product classification, logo and shopping tools. Products that meet the definition of Live Naturally are free from over 100 artificial ingredients, flavors and preservatives. Customers can identify these products through our



Live Naturally leaf logo on in-store branding, signage and shelf tags. Other product benefits including Organic, non-GMO and Gluten Free are also noted on our shelf tags. We also share information on our [website](#).

Recently, we've been transitioning our natural products assortment to be integrated throughout the store to make these products accessible to more customers. The stores with integrated natural foods items experience double-digit growth. We launched a "never out of stock" initiative for natural and organic products in 2016 and, in 2017, the program helped improve in-stocks by 50%. In addition, we have named these products as a #1 priority in ongoing space optimization efforts.

And, finally, we promote these types of products to our customers throughout the year as well as through special events like our annual Sustainability Lives Here campaign to coincide with Earth Day.

## 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. And 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. Here are some additional examples of how we communicate health and nutrition information to our customers:

- We include 'Dietitian's Choice' logos on Prep+Pared Meal Kits, and on recipes and content online.
- In the last year, we added Nutrition Facts panels for Simple Truth® products on our website, [www.simpletruth.com](http://www.simpletruth.com).
- For products to meet our definition of 'natural' and to be included in the Live Naturally sections of our stores, we have lists of the artificial ingredients, preservatives and flavors that we don't accept in these products.



SUPPORTING  
HEALTHY  
DECISIONS



## HEALTHY SHOPPING TOOLS

We aim to provide our customers with new tools and resources that will help them make healthy choices. Our customers can also leverage the expertise of the professionals who work in our retail pharmacies and The Little Clinic locations, as well as any additional health care professionals whose guidance and medical care they receive.

## NATURAL AND ORGANIC PRODUCTS

We use the Live Naturally leaf icon and our Live Naturally sections of our stores to help customers locate these 'better-for-you' products on our shelves. We also offer customers our Simple Truth® product line—more than 1,400 products to date—that are free from over 100 undesirable ingredients, preservatives and flavors.

## CUSTOMER CHOICE CHECKLANE

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 'better for you' options at the point of sale. We tested this approach in a few divisions and because we are happy with the results, we plan to expand this approach—called the Customer Choice Checklane—to all stores in time.

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

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 from the App Store or on Google Play to get started.

## CONTINUOUS IMPROVEMENT

Kroger continuously revisits our approach to supporting our customers' health and nutrition to ensure we are meeting their needs. We aim to use convenient methods to share guidance and product information, which is why we develop shopping tools like the OptUP app and share online recipe ideas and health tips as consumers move to more online shopping and research habits.



# FOOD ACCESS

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

KROGER'S ZERO HUNGER | ZERO WASTE PLAN IS OUR COMMITMENT TO END HUNGER IN OUR COMMUNITIES AND ELIMINATE WASTE ACROSS OUR COMPANY BY 2025. THIS INCLUDES BRINGING ATTENTION AND RESOURCES TO THE ISSUE OF FOOD INSECURITY AS WELL AS INCREASING THE AVAILABILITY OF AFFORDABLE AND NUTRITIOUS FOOD.



We recognize that today, many of our customers struggle to make ends meet and pay for groceries. We offer a range of *Our Brands* items and other products and services at affordable prices. Since 2000, Kroger has reduced prices by \$4.1 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, our efforts to improve access to food are important to our stakeholders, including our customers and communities. We can also help influence progress across our family of companies and within our supply chain.

# IN 2017, WE DIRECTED A TOTAL OF **\$181 MILLION IN FOOD AND FUNDS** TO HELP END HUNGER IN OUR COMMUNITIES.

## FOCUS AREAS TO IMPROVE FOOD ACCESS:

1. Zero Hunger | Zero Waste Food Rescue
2. Innovative Ideas & Pilot Projects
3. Community Outreach



## 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 will measure progress against these goals:

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

Our family of stores donated 74 million pounds of wholesome food through our Zero Hunger | Zero Waste Food Rescue program in 2017, up from 69 million pounds in 2016. Food rescued from our manufacturing plants and distribution centers raised our total to 91.2 million pounds in 2017.

These critical product donations are supplemented by financial support from a variety of programs throughout the year. Recently, Kroger has worked to align our corporate and local charitable giving to support hunger relief and our Zero Hunger | Zero Waste plan. In 2017, we directed a total of \$181 million in food and funds to help end hunger in our communities. More than 40% of grants from The Kroger Co. Foundation went to nonprofit organizations supporting hunger relief in 2017, an increase from 2016. Our goal is to continue increasing Kroger's Foundation giving to end hunger with a target of 75% in 2018.

Our leaders and associates amplify our efforts to improve food access by facilitating donations of food and funds and volunteering to serve local organizations in food distribution. Examples include summer lunch programs and work that supports mobile pantries.



## FRESH PICKS MOBILE MARKET



### PROJECTS & PILOTS

We are working with several community partners to explore possible options for expanding access to healthy foods in communities deemed to be food deserts, or among those who are food insecure. One example is our work in Wisconsin to help operate the Pick 'n Save Fresh Picks Mobile Market.

In Richmond, the Kroger **Mid-Atlantic Division** team recently donated a new refrigerated box truck to FeedMore, a local food bank that runs a mobile pantry program. This new truck, FeedMore's first in nearly a decade, will increase its capacity to direct fresh food to families in and around Richmond's Southside, neighborhoods often considered food deserts. Their mobile pantry program distributes about 75,000 pounds of fresh and non-perishable food a month to 2,000 households. Last year, FeedMore distributed over one million pounds of food, greatly improving local communities' access to healthy, nutritious food.

Kroger continues to work with our community partners to improve access to healthy and affordable food for our customers.

According to the U.S. Department of Agriculture, 1 in 10 households in Wisconsin is food insecure, or unable to provide enough food for every person to live an active, healthy life. To help families in urban Milwaukee County, Pick 'n Save and the Hunger Task Force of Milwaukee worked together to launch the Pick 'n Save Fresh Picks Mobile Market in 2015. It was funded in part by a federal Food Insecurity Nutrition Incentive (FINI) grant.

First, the partners transformed a 100-foot former NASCAR trailer into a fully-outfitted fresh market on wheels. Today, 10 Pick 'n Save stores in Milwaukee stock the Mobile Market with over 40 types of fresh fruits and vegetables and 10 kinds of high-quality meat, poultry and seafood. Then, the Mobile Market hits the road, visiting underserved neighborhoods around Milwaukee every week. Community stops are scheduled and posted in advance so residents

know when and where to shop. When the market runs out of food, it restocks at one of the local Pick 'n Save stores.

Importantly, the Mobile Market doesn't operate as a pantry or a handout—it offers affordable healthy food for purchase at a 25% discount (through the FINI grant). The partners continue to evaluate the program—with feedback from customers. Overall, we hear that people like being able to shop for food close to home and spend far less than at a convenience store.

So far, the Mobile Market has served more than 32,000 customers. The Pick 'n Save team and Hunger Task Force continue to receive positive feedback from the urban Milwaukee community and families who appreciate having access to fresh, healthy food close to home.





## COMMUNITY OUTREACH

Kroger associates around the country volunteer their time to help local families in need of healthy food, and hope. Here are a few examples:

In 2017, the **Fred Meyer Division**, based in Portland, supported the Oregon Food Bank with more than \$152,000 in giving and over 1.5 million pounds of donated food through our Zero Hunger | Zero Waste Food Rescue program. About 70 Fred Meyer associates also recently volunteered their time at the food bank, repacking 43,000 pounds of carrots in record time.



**Food 4 Less #399** Store Manager Felicia Sparks and 25 associates also gave back to their community in south Los Angeles at the Restoring Hope to the Homeless event. Working with Mt. Tabor Missionary Baptist Church and other organizations, the Food 4 Less team provided full hot meals for up to 500 homeless residents in the community. People also had access to a mobile health RV for blood pressure and diabetes checks, as well as a mobile shower unit. Special thanks to our associates for showing how Kroger Feeds the Human Spirit in our communities.

In our **Atlanta Division**, Kroger supports Kennesaw State University's CARE (Campus Awareness, Resource & Empowerment Services) program. CARE offers a campus food pantry and free food to students who are experiencing homelessness, food insecurity or living in the foster care system. Since the program began, CARE has helped 800 students and provided 31,000 pounds of food.

For additional information on community engagement to increase access to food, please see the next section.

## FRESH SAVINGS PROGRAM

Kroger is a retail partner in Fresh Savings, a FINI (Food Insecurity Nutrition Incentive) grant program. We are working with the AARP Foundation, which received the USDA grant. The program began in 10 stores in Kroger's Delta Division—in Tennessee and Mississippi—in 2015 and has expanded to include more than 20 stores today.

Here's how it works: customers who purchase fresh fruits and vegetables using their EBT card in our stores receive a Catalina coupon for 50% off their next produce purchase, up to \$10 off. We continue to work with the AARP Foundation to implement changes to improve engagement. We are currently discussing options to move to a digital coupon to increase the ease of use. The FINI grant will continue through March of 2019.

To learn more about Fresh Savings—available in Tennessee and Mississippi—contact [freshsavings@aarp.org](mailto:freshsavings@aarp.org) or call 1-800-854-3324.



# COMMUNITY ENGAGEMENT

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

**KROGER IS COMMITTED TO BEING A TRUSTED PARTNER IN THE COMMUNITIES WHERE WE LIVE AND WORK. PROVIDING SOCIAL AND FINANCIAL SUPPORT TO THE COMMUNITIES WHERE WE OPERATE DEMONSTRATES OUR DESIRE TO BE A GOOD NEIGHBOR.**

## HOW WE MANAGE COMMUNITY ENGAGEMENT

We focus our charitable giving and volunteer service—at the national and local level—on nonprofit organizations focused on hunger relief, military service men and women and their families, health and nutrition, disaster relief efforts, and more.

Our Corporate Affairs team is responsible for community engagement and philanthropy. After introducing Kroger’s Zero Hunger | Zero Waste plan in September 2017, we began aligning our community outreach efforts and charitable giving more closely to our social impact plan. We believe focusing more resources on achieving our vision and select other priorities

will help us achieve significant progress on our journey to transform our communities by 2025.

We measure Kroger’s community engagement in many ways, including our charitable giving; the number of meals we provide; food donated through our Zero Hunger | Zero Waste Food Rescue program; and associate and customer engagement in events and promotions that make a difference in our communities. In every community where we live and work, our leaders and associates engage with our neighbors.



## THE KROGER CO. FOUNDATION

Our spirit of giving is clearly reflected in The Kroger Co. Foundation. Established in 1987, our 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 2017, the Foundation directed \$12.7 million to nonprofit organizations focused on ending hunger, improving food security and bringing healthy, balanced meals to families in need. Since introducing Zero Hunger | Zero Waste, our team has focused intently on aligning our Foundation grants even more closely to our social impact plan.

Looking forward, we also plan to launch Kroger's \$10 Million Zero Hunger | Zero Waste Innovation Fund in 2018. This new grant-making fund will focus on finding and funding scalable solutions to reduce food waste. Together with our community partners, we will achieve meaningful change that transforms our communities.

## COMMUNITY REWARDS

In 2017, we also donated nearly \$34 million to more than 58,000 local schools and organizations participating in Community Rewards. We believe that by supporting local organizations, we are strengthening the neighborhoods where our customers and associates live and work. Our Community Rewards program 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 [KrogerCommunityRewards.com](http://KrogerCommunityRewards.com).



## GIVING

In 2017, a total of more than \$358 million was directed in Kroger's name to our communities. That is an increase from \$318 million in 2016. Our giving reflects the generosity and involvement of our associates and customers, who amplify our commitment beyond the company's philanthropic contributions. Of this, \$181 million in giving was focused on helping end hunger where we live and work.

At the local level, our associates collect and donate food, serve meals, walk to raise money for local initiatives, pack care packages for our soldiers, join in parades to celebrate diversity and bring our time, talent and caring to make a difference in the communities we call home. Our customers also continue to show their generosity, donating to help their neighbors when they shop.



## SUPPORTING MILITARY SERVICE MEN & WOMEN

Supporting service members and their families is a priority for our company. Kroger partners with 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. [Honoring Our Heroes](#), Kroger's annual campaign, is our way of saying "thank you" to our active duty service members and our nation's 23 million veterans.

In 2017, Kroger provided \$3.2 million to the USO, including a \$1 million corporate donation. Coca-Cola and our generous customers and associates who contributed at check stands, purchased special gift cards to be delivered to USO centers, or donated online contributed the remaining \$2.2 million. Through the Honoring Our Heroes platform,

associates, customers, vendors and The Kroger Co. Foundation have contributed more than \$23 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 76-year history.

Kroger's support for members of the military extends beyond fundraising. We are committed to hiring veterans, who make our workforce so much stronger. Our family of stores hired more than 10,000 U.S. veterans in 2017, and more than 43,000 since 2009.

In recent years, Kroger has hosted Red, White & BBQ events in more than 30 locations—including Kuwait and Germany—feeding 20,000 service members and their families. In 2018, we are continuing this tradition with events at Camp McCrady in South Carolina, where we served 1,000 service members before being deployed. Other events to thank our veterans are planned in Los Angeles, Nashville and Germany.



At these Red, White & BBQ events, Kroger associates from across our company work side by side with USO volunteers to bring a taste of home to service members and their families. Our Dillon's team served BBQ at USO Fort Riley in Kansas, and our Food 4 Less and Ralphs teams served breakfast burritos to US Marine Corps boot camp graduates at USO San Diego.

Read more at [www.HonoringOurHeroes.com](http://www.HonoringOurHeroes.com).

Kroger is increasing its commitment to service members by partnering with the USO on its USO Pathfinder<sup>SM</sup> program. Pathfinder extends the USO's mission of connection by assisting service members and their families in achieving their personal and professional goals as they transition from military service and return home to their new communities.





## WOMEN'S HEALTH

Kroger is a long-time supporter of women's health initiatives, especially breast cancer research, education and support for patients and caregivers. The commitment is personal for thousands of Kroger associates across the country who support this cause every year as volunteers and participants at dozens of fundraising events in our local communities, including the American Cancer Society's Making Strides Against Breast Cancer® program.

In 2017, we directed a total of \$6.3 million in giving to organizations and programs that advance women's health. As part of our company-wide [Sharing Courage](#) campaign, Kroger donated \$1 million in 2017 to local breast cancer initiatives. Customers and associates added their support through fundraising opportunities in our family of stores. These funds support research; provide mammograms and other treatments; fund classes and support groups; provide transportation

assistance for those fighting cancer; and more. All of the funds stay in the cities and towns where our customers and associates live and work.

Since its inception, Sharing Courage has generated \$42 million to support breast cancer education, services and research.





## A SEASON OF STORMS: HELP FOR TEXAS



### DISASTER RELIEF

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

In 2017, Kroger directed a total of \$3.5 million to support recovery efforts in regions affected by Hurricanes Harvey and Irma. The Kroger Co. Foundation provided \$200,000 in grants to benefit food banks in the Atlanta and Houston regions.

We thank our dedicated Kroger associates for their unwavering commitment to our customers, our communities and each other—in good and hard times.



2017 was a record-setting hurricane season, testing many of our communities, customers, associates, families and friends. In August, Hurricane Harvey pummeled Texas with heavy winds and over 27 trillion gallons of rain, causing massive flooding.

Ahead of the storm, Kroger’s Logistics group worked fast, sending 275 truckloads of bottled water and other supplies to Houston stores so customers could stock up.

In Harvey’s aftermath, Kroger associates who wanted to work—many dealing with their own flooded homes—went wherever they were needed. We dispatched Kroger’s Mobile Pharmacy and 725 more truckloads of bottled water and ice to help Houston and Dallas residents.

When even more Kroger associates and customers wanted to help, we directed support to the Houston Food Bank and the American Red Cross. This included truckloads of food from our own manufacturing plants—including *Our Brands* peanut butter, bread, crackers, pet food and other essentials—plus truckloads of other items donated by our generous vendors

and suppliers. Across the country, customers also supported storm relief by giving \$1.5 million at our stores to benefit the American Red Cross.

To cover urgent medical needs, Kroger deployed pharmacists from all over the country to staff mobile emergency pharmacies across Houston. Nurse practitioners from the company’s The Little Clinic also traveled to Houston to provide free healthcare for affected residents. In all, more than 350 Kroger associates from 13 divisions went to help.

For our own affected associates, Kroger awarded \$700,000 in financial grants through Helping Hands, an internal assistance fund that aids associates during hardships. Associates from coast to coast raised \$60,000 to help their co-workers recover and get back on their feet.

When the hurricane season continued to be even more deadly, with Hurricanes Irma and Maria, we directed support to our communities through the American Red Cross and our Feeding America food bank partners.



ABOUT  
THE  
KROGER  
COMPANY

ABOUT THIS  
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ZERO HUNGER |  
ZERO WASTE

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& COMMUNITIES

**OUR PEOPLE**

Talent Retention  
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OUR PLANET

OUR PRODUCTS

GRI INDEX

2017 AWARDS



**OUR PURPOSE IS TO FEED THE  
HUMAN SPIRIT BY UPLIFTING OUR  
CUSTOMERS, OUR ASSOCIATES  
AND OUR COMMUNITIES.**

**OUR PEOPLE**



Our Purpose at Kroger is to Feed the Human Spirit™. And our vision is to feed America through food inspiration and uplift. We do that by creating an uplifting place to work, by delivering an uplifting shopping experience for our customers, and by serving the communities in which we work.

Our Promise helps prioritize how we serve our customers in the order of Everyone Friendly & Caring, Everything Fresh, Uplift Every Way, and Improve Every Day. It helps us focus on the same priorities, to know what's most important when faced with a decision.

With nearly half a million associates serving over 9 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.



## OUR PEOPLE

# TALENT ATTRACTION & RETENTION

**WE OFFER A BROAD RANGE OF EMPLOYMENT OPPORTUNITIES FOR WORKERS OF ALL AGES AND ASPIRATIONS, FROM TEENAGERS LOOKING FOR THEIR FIRST JOB TO EXPERIENCED CAREER PROFESSIONALS AND SENIORS WANTING TO STAY ACTIVE AND CONNECTED IN THEIR COMMUNITY. WE WANT TO BE AN EMPLOYER OF CHOICE.**

To attract and retain the best in a competitive and evolving job market, we offer competitive wages, quality benefits, and a safe, healthy work environment. This is what entices people to come to the Kroger family of companies for a job—and our focus on talent development is what encourages associates to stay for a career. We actively foster an “opportunity culture,” nurturing and developing skills that support associates in their current roles, but also prepare them to take the next step in their career.

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

### **HOW WE MANAGE TALENT ATTRACTION & RETENTION**

How well we attract and retain talent affects associates in our supermarkets, distribution and fulfillment centers, manufacturing plants, technology centers and offices across the United States. Not to mention the customers and communities we serve.

Our Human Resources and Labor Relations teams are responsible for Kroger’s policies, practices and management of talent attraction and retention. 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. Each operating unit—our retail supermarket divisions, logistics and manufacturing—has HR leaders who manage local recruiting touchpoints to help meet relevant business needs, direct interview processes, onboard and train associates, and manage HR administrative processes.

One of the key drivers of the *Restock Kroger* plan 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. Our family of stores created 10,000 new jobs in 2017, and 12,000 new jobs in 2016. (These figures do not include jobs created as a result of capital investment, such as temporary construction jobs, nor increases due to company mergers.)

During the past decade, Kroger has added 100,000 new jobs in communities across America. In addition to fueling the U.S. economy, many of our supermarket jobs offer opportunities for associates to learn new skills and grow and advance their 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.

In addition to job creation, Kroger committed to invest an incremental \$500 million in associate wages, training and development during the next three years 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. This investment in wages makes us very competitive in this market for attracting and retaining great associates.





## OUR LEADERSHIP MODEL

At the Kroger family of companies, we focus on developing leaders in eight focus areas that demonstrate living Our Purpose, staying true to our Values and delivering on Our Promise every day.

We believe the best leaders have a passion for people and a passion for results. Through leadership training and our ongoing Performance Management process, we teach that passionately leading people means: communicating effectively and candidly, achieving results through teamwork, leading through

positive influence, and coaching and developing others. These same leaders drive results by: putting the customer first, providing clear and strategic direction, executing with excellence, and leading change and innovation.

John Snavelly, store manager at Food 4 Less in Coachella, Calif., brings our Leadership Model to life every day with his team. See how he does it [here](#).

## TRAINING & DEVELOPMENT

Well-trained, engaged and productive leaders and associates are essential for Our Promise to improve every day.

In 2017, we updated our **Leadership Essentials** curriculum to better prepare store management trainees for new assignments. This program includes three phases, with an optional jump-start option for leaders new to the retail industry:

- Optional 2-week jump start program for those new to grocery retail and Kroger;
- Phase 1: 9-week program of instructor-led training and on-the-job experiences;
- Phase 2: 3-week program during which trainees observe, demonstrate, calibrate and certify in their assigned functional area; and

- Phase 3: An 8-week Capstone Project.

For new retail associates, our **Fresh Start!** program, also introduced in 2017, has improved consistency in onboarding from store to store. This program spans more of the associates' life cycle, supporting continuing education and training to help associates grow in their careers.

Role- and skill-based curriculum is focused on retail store roles, including hourly associates, department leaders, district coordinators, assistant store managers and store leaders. This training offers skill development to build technical knowledge, subject matter expertise

and confidence to provide the best customer experience.

We also offer **Kroger University**, a comprehensive training and leadership development curriculum with two different levels: 1) skill-based training by role from new-hire associate to store leader, and 2) leadership development from department leader to executive. Our leadership training focuses on strengthening capabilities to develop leaders with strong business acumen who can consistently perform at a high level and effectively coach, teach and train others.

GRI 401-2, 401-3

## BENEFITS & REWARDS

We provide quality, competitive benefits for Kroger associates. For our non-union hourly associates, and some select union groups, eligibility requirements for the company-sponsored health care plan vary by division and location, but 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 other eligible associates, including full-time salaried associates. These benefits include:

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

We help our associates plan for their future with a 401(k) RSA Plan, generally offered to all non-union associates (union associates are generally eligible for a pension plan). Once an associate is 21 years old and has completed 90 days of service, he or she may join the plan and start contributing the first day of the following month. After one year of service and

1,000 hours worked, Kroger will match contributions dollar for dollar up to 5%. Associates also receive an annual automatic contribution—generally 1% of eligible pay, which increases to 2% after five years of service.

Additionally, associates are eligible to participate in the Kroger Stock Exchange, which is Kroger's Stock Purchase Plan. Through this plan, associates 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.

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 or 6-8 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 both salaried management and administrative associates.

## OPPORTUNITY CULTURE

We foster a culture where associates can come for a job and stay for a career. We pride ourselves on providing our associates a wide variety of development and growth opportunities across our retail, manufacturing, logistics, technology and corporate office locations. Two-thirds of our leaders today started out working in one of our stores. And 94% of our store department managers decide to stay with Kroger year after year.

In the past year, we created a video series highlighting associates who have made Kroger a career. Like Tanesha Reed of our Michigan Division, who joined Kroger eight years ago as an assistant store manager and is now a Meat & Seafood sales manager for the division. You can watch Tanesha's story [here](#).

Or Tyson Stegall of our Central Division. As a district HR manager, he now helps his fellow associates map out the career and opportunities that are right for them. And with 12 years of service and six different roles under his belt, he has plenty of experience to speak from. Learn more about Tyson [here](#).

We have also spotlighted new leaders who just joined Kroger and plan to be here for the long haul, including Liz Ferneding, president of the Ruler stores Division. Liz has spent years in the small format, discount grocer industry, and she is now leading the Ruler reinvention for Kroger. Watch her journey [here](#).

Tanesha, Tyson and Liz are just a few examples of our great people who have made Kroger a career.



GRI 401-2

## INVESTING IN OUR PEOPLE

We care about our associates' overall well-being—physically, financially and emotionally. 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.

- **Feed Your Future:** Associates can receive up to \$3,500 annually (and up to \$21,000 over the course of their career) toward continuing education. Our industry-leading education program can help our associates in any stage of their education journey—whether that is completing a GED, obtaining a college degree or earning a professional certification. [Learn more.](#)
- **Kroger Scholars:** Further supporting education is Kroger Scholars, a passion-based scholarship program to help children of eligible associates achieve their dreams of higher education. In 2017, The Kroger Co. Foundation awarded 140 scholarships of \$2,500 each to students who make a difference in their community. Since 2008, we have awarded \$3.2 million through Kroger Scholars. Eligible students aged 25 or younger must be high school seniors or graduates who plan to enroll—or students who are already enrolled—in full-time undergraduate study at an accredited two- or four-year college, university or vocational-technical school.
- **Associate Discounts:** Kroger associates generally receive a number of valuable discounts in our stores every day, including:
  - 10% off *Our Brands* products,
  - 20% off all apparel,
  - 15% off all home items,
  - 10% off all electronics, and
  - 20% off at Fred Meyer Jewelers.
- **Other 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.
- **Well-Being Assistant:** We offer a free and confidential service to help connect associates to the resources needed to “be your best you.” 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.
- **Helping Hands:** This financial assistance program for associates offers help during difficult times, such as losing a home due to fire or natural disaster, death of a spouse or loved one, major medical expenses and more. In 2017, Helping Hands provided \$1.7 million in assistance to more than 5,700 associates across the country. Since 2005, Kroger and our generous people have provided more than \$13.8 million in gifts to help fellow associates facing hardship.



Our family of companies extends across 35 states and the District of Columbia. When times get tough and the unexpected happens, our Helping Hands Fund is there.

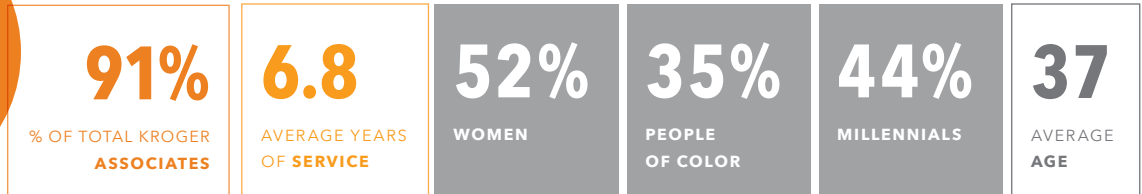
In 2017, we provided financial assistance through Helping Hands to more than 5,700 associates. Last fall, Kroger gave \$700,000 in grants through Helping Hands to 1,100 associates affected by Hurricanes Harvey and Irma.

One associate in our Dillons Division, a member of a tight-knit store team, lost his home and all his possessions in a fire. With assistance from Helping Hands and some personal donations from fellow associates, he was able to start the recovery and rebuilding process.

We are pleased to say the Helping Hands Fund continues to grow. Earlier this year, Kroger announced it would direct an additional \$5 million in funding to Helping Hands, update the guidelines to modernize the program, and make the system easier to access.



OUR  
SUPERMARKET  
ASSOCIATES



**PROMOTING WELLNESS**

During the last several years, our associates' health has improved, demonstrated by lower cholesterol, blood pressure and blood glucose scores. In 2017, Kroger was named one of the Healthiest 100 Workplaces in America by Healthiest Employers LLC, an organization dedicated to evaluating employers' efforts in corporate health. For the second time in three years, Kroger has been honored on the list for its commitment to employee health and its corporate wellness programming. Kroger ranked 38th overall on the 2017 list and was recognized for its exceptional corporate wellness initiatives, such as health screenings, preventive care education and interactive wellness challenges.

Kroger was also honored by the Cincinnati Business Courier as a 2017 Healthiest Employer and by the National Business Group on Health with a "Best Employers for Healthy Lifestyles" award. Kroger is a four-time American Heart Association Fit-Friendly Platinum Achievement Award-Winning Company. The American Diabetes Association has also named Kroger a Health Champion Employer.

Kroger provides a variety of health and wellness programs for associates. Our associates have access to unlimited coaching, by phone or video, to help them achieve their personal goals using the company's Employee Assistance Program.

More importantly, our associates generally pay less for their health care benefits than other individuals working in our industry.

**"Our associates' well-being is incredibly important to us, and we are excited to be recognized as an industry leader for our commitment to better health. Our goal is to offer something for everyone to help with their overall well-being: physically, financially and emotionally."**

–Theresa Monti, vice president,  
Total Rewards & HR Systems, Kroger



## DIVERSITY & INCLUSION

Diversity and inclusion are among Kroger's Values. 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.

Kroger provides inclusion training to all management and many hourly associates, and most work locations (stores, plants, distribution centers and

offices) have an inclusion-focused team, called a Cultural Council or 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. Today, 51% of all associates are female and 35% are people of color.

In 2017, Kroger received a score of **95 out of 100** on the Corporate Equality Index (CEI). The CEI is sponsored by the Human Rights Campaign and rates companies based on their employment policies related to gay, lesbian, bisexual and transgender associates.

**KROGER WAS NAMED ONE OF THE TOP 100 INNOVATORS IN DIVERSITY & INCLUSION IN 2017 BY MOGUL, AN AWARD-WINNING NEWS AND SOCIAL MEDIA PLATFORM. KROGER RANKED #33 AND WAS RECOGNIZED FOR DIVERSITY IN LEADERSHIP ROLES, SUPPORT AND RESOURCES FOR ASSOCIATES AND SOCIAL CONTRIBUTION.**





## ASSOCIATE RESOURCE GROUPS

Kroger encourages and sponsors several Associate Resource Groups (ARGs), or affinity groups, for our associates to network and connect with others of similar interests. Today we have 10 active ARGs. The original groups are based at our corporate offices in Cincinnati and a growing number of chapters—33 so far—are located in our supermarket divisions. Several new groups have formed since we started the ARG journey, based on our associates' interest.

Kroger first introduced ARGs to help connect associates with others who share common beliefs and promote networking and teamwork. Here are a 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 **Alliance of Kroger** promotes a supportive environment for LGBT associates and their allies to network with one another and to develop professionally. ARG members provided guidance and support as the company introduced transgender benefits for associates.
- 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.
- The **Health and Wellness ARG** members work with our HR team to provide wellness resources for associates, such as a Cancer Resource Guide.
- 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.

Please see information about Kroger's Supplier Diversity efforts in our [Products](#) section.

**KROGER FIRST INTRODUCED ARGs TO HELP CONNECT ASSOCIATES WITH OTHERS WHO SHARE COMMON BELIEFS AND PROMOTE NETWORKING AND TEAMWORK.**



OUR PEOPLE

# ASSOCIATE HEALTH & SAFETY

NEARLY HALF A MILLION ASSOCIATES WORK IN OUR STORES, DISTRIBUTION CENTERS, MANUFACTURING PLANTS, TECHNOLOGY CENTERS AND OFFICES.

Protecting the health and safety of our valued associates across our operations is essential to serving 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.

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

## HOW WE MANAGE ASSOCIATE HEALTH & SAFETY

Safety is one of our core [Values](#). We rely on several policies to ensure compliance with relevant Occupational Safety & Health Administration (OSHA) requirements, including but not limited to:

- Hazard Communications Plan
- Powered Industrial Truck
- Lockout/Tagout
- Bloodborne Pathogens
- Emergency Evacuation
- Personal Protective Equipment
- Process Safety Management (PSM)
- Hearing Conservation





SPOTLIGHT  
ON SAFETY:  
SMITH'S

In 2017, Smith's District 7—which includes seven Smith's grocery stores in northern Nevada—ranked second in safety performance out of all retail super-market districts across our entire family of companies. This is a huge achievement for D7 associates—rising from 110th in 2016.

"We know how important safety is to our business, and to our customers and associates," says Paul Schultz, safety manager for Smith's Division. "Last year, we decided to engage our store safety teams to improve our performance and take a new approach to preventing accidents." Paul credits his entire management team, particularly District 7 Operations Coordinator Angel Velez, for the huge gain.

Key to the effort was timely communication. D7 managers began reporting all accidents in detail to

CONTINUED ON PAGE 73

## EFFECTIVE REQUIREMENTS AND 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 correction 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. We kick off the year with a STAR event to reintroduce the STAR Safety 360 program. Mid-year, we align with National Safety Month. 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.

Every two to three years, Kroger Manufacturing hosts an internal Safety Conference, where four to six 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.



SPOTLIGHT  
ON SAFETY: SMITH'S

Angel or other trained team members within 15 minutes. They thoroughly reviewed every accident report and conducted further investigation if needed to ensure accuracy. To keep safety top of mind, the Smith's team asked D7 store safety leaders to conduct a safety review every day. And because building a culture of store safety starts on day one, District 7 also increased safety training for new associates.

Now, when an incident happens, the department manager discusses the cause and follow-up actions on a monthly call to help prevent it from happening again. "Routinely sharing information helps everyone in every store stay up to date and aware of potential hazards," Angel says.

In 2018, Paul and the Smith's Division team are adding to the sound safety practices already in place. D7—and teams across the country—continue to demonstrate Kroger's ongoing commitment to safety.



## MANAGEMENT AT ALL LEVELS

Managing health and safety is critical to our business success. Each part of our business—retail operations, logistics and manufacturing—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.

### LOGISTICS

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.



**2017 OSHA  
INJURY RATES**

METRIC	ASSOCIATES
Injury Rate (OSHA Injuries/100 FTE) <sup>1</sup>	3.46
Lost Day Rate (OSHA injuries (DART)/100 FTE) <sup>2</sup>	2.50
Work-related fatalities	0

1. Injury rate includes injuries greater than minor injuries (First Aid) per OSHA reporting requirements. Injury rate does include fatalities.

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

## GOAL-SETTING TO IMPROVE PERFORMANCE

At Kroger, our ultimate goal is zero accidents in the workplace. Our Health & Safety teams in each part of the business (Retail, Logistics, Manufacturing) 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 (e.g., for all associates, for new associates, for associates with multiple injuries), for customers (e.g., slip-and-fall injuries), and for reporting frequency.

## DATA TRACKING AND MONITORING

Kroger tracks and monitors health and safety metrics and data for all business operations—retail operations, logistics and manufacturing—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 provider.

Performance for 2017 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 (0.008 in 2017) that consistent measurement and tracking is not meaningful. We do not report health and safety metrics by gender.



GRI 103-3

## COMMITMENT TO CONTINUOUS IMPROVEMENT

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 new technologies and assets. To support our safety objectives, we are developing a new and enhanced safety management system that will merge existing processes and tracking tools. This new 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 19 years and has been at or near 20% favorable 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 Kroger Helpline. As outlined in our Business Ethics Policy, the Audit Committee of The Kroger Co. Board of Directors has established the Kroger Helpline—a toll-free phone number (800-689-4609), email address (helpline@kroger.com), and website (www.Ethicspoint.com) for the submission of concerns. Users of the Kroger Helpline may choose to remain anonymous.

**OUR FAMILY OF COMPANIES IS DEVELOPING A NEW AND ENHANCED SAFETY MANAGEMENT SYSTEM THAT WILL MERGE EXISTING PROCESSES AND TRACKING TOOLS.**



ABOUT  
THE  
KROGER  
COMPANY

ABOUT THIS  
REPORT

ZERO HUNGER |  
ZERO WASTE

OUR CUSTOMERS  
& COMMUNITIES

OUR PEOPLE

**OUR PLANET**

**Our  
Commitment**

Zero Waste

Food Waste

Energy &  
Emissions

Water

GRI INDEX

2017 AWARDS

# THE KROGER CO. IS COMMITTED TO PROTECTING HUMAN HEALTH AND THE ENVIRONMENT WHILE ALSO MEETING THE NEEDS OF OUR CUSTOMERS.

## OUR PLANET

We go beyond compliance with applicable environmental laws and regulations to improve sustainability for future generations by reducing our impact on the environment.

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. This translates into customer loyalty, increased sales and a strategic advantage.

As articulated in our [Sustainability Commitment](#) and reflected in our [2020 Sustainability Goals](#), we aim to eliminate waste and increase efficiency across our company, source responsibly in our supply chain and help our customers make sustainable choices.

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. 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.



KROGER  
SUSTAINABILITY  
REPORT 2018



PLANET

## ZERO WASTE

### OUR SUSTAINABILITY COMMITMENT FOCUSES ON PREVENTING WASTE AND, AS A LAST OPTION, DIVERTING WASTE FROM LANDFILLS FOR BETTER USES.

We recognize that creating waste represents a lost opportunity. By focusing on prevention and improving waste management in our retail stores, manufacturing plants, distribution centers and construction projects, we gain both greater business value and environmental benefits.

That's why we set ambitious goals to reduce the amount of waste generated and to divert at least 90% of our waste from the landfill—to become a zero waste company.

This topic is important to many of our stakeholders, with strong interest from our own associates, who feel that preventing waste in our operations is closely linked to the “bottom line” and quality management, as well as to Our Purpose and Promise.

Our Corporate Affairs department guides our zero waste initiatives with the endorsement of leaders in retail, manufacturing and logistics. We then rely on associates to implement changes across all levels of the Kroger organization, as well as partners outside the company.

In addition to the many vendor partners that haul and manage our waste, we have recently established partnerships with World Wildlife Fund and ReFED to help guide our work specific to food waste.

## IN 2016, THE KROGER FAMILY OF COMPANIES SET A GOAL TO BECOME ZERO WASTE BY 2020, WHICH WE DEFINE AS DIVERTING 90% OR MORE OF THE WASTE WE PRODUCE AWAY FROM LANDFILLS.

Our primary objective is to divert waste away from landfills, where waste produces a potent greenhouse gas called methane and loses the opportunity to provide value. Our secondary objective is to move waste up the waste management hierarchy towards better end uses, such as recycling and composting.

### EPA'S WASTE MANAGEMENT HIERARCHY

We use the EPA's Waste Management Hierarchy to guide our work. We aim to use the preferred methods toward the top of the hierarchy as much as possible. We have also established several additional goals and milestones to help us move the needle on our company-wide Zero Waste goal. Read more

about these goals and how we are performing against them in our [2020 Sustainability Goals Progress Update](#).

AS OF 2017,  
WE ACHIEVED A  
COMPANY-WIDE  
**DIVERSION  
RATE OF 77%.**

#### SOURCE REDUCTION & REUSE

- Reducing waste at the source to avoid generating it in the first place.

#### RECYCLING/COMPOSTING

- Collecting items for reprocessing and manufacturing into new products.

#### ENERGY RECOVERY

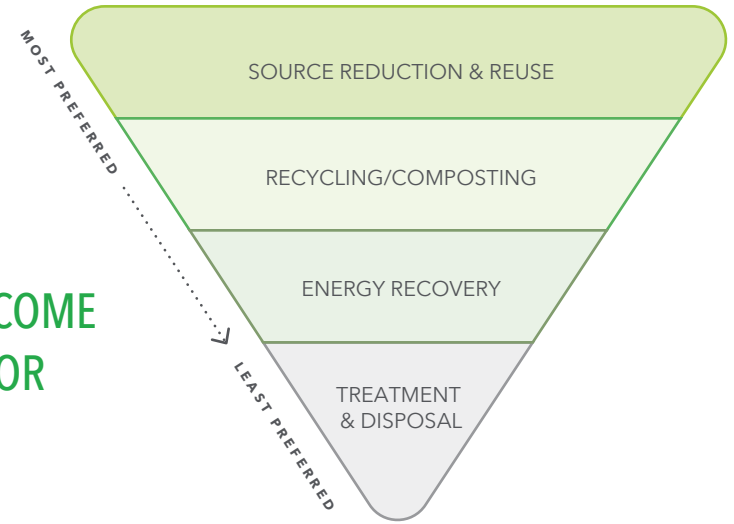
- Converting non-recyclable waste materials into useable heat, electricity or fuel.

#### LANDFILL/DISPOSAL

- As a last resort, treating and disposing of waste.

### EPA'S WASTEWISE PROGRAM

Several years ago, Kroger joined the EPA's WasteWise Program. This nationally recognized program provides a tool to benchmark, measure, track and communicate our efforts in a more consistent and cohesive way.



WASTE MANAGEMENT METHOD	WEIGHT (SHORT TONS)
Waste Reduction	97,000
Food Donation	55,000
Animal Feed	72,400
Composting	42,400
Recycling	1,923,800
Anaerobic Digestion	34,800
Waste-to-Energy	38,100
Landfill	639,700
<b>Total</b>	<b>2,903,300</b>

1. Waste disposal is managed by and reported to Kroger by our different waste and recycling haulers.  
2. Waste data excludes select retail stores (e.g., Roundy's division) and office locations. Data reflects calendar year 2017.



## WASTE IN OUR STORES

Kroger’s Retail Operations team has focused on achieving zero waste for several years, using a variety of reduction and recycling initiatives for different store waste streams.

### FOOD WASTE PREVENTION, RECOVERY AND RECYCLING

Preventing food waste and recovering healthy food from our retail operations is a priority for Kroger given the nature and scale of our business. Our primary ambition is to reduce the amount of food waste generated from our distribution and retail operations. Even when we’ve achieved landfill diversion, this means we’re actively trying to reduce the amount of inedible food we send to compost or anaerobic digestion. In addition, our Zero Hunger | Zero Waste Food Rescue program donates fresh food from our stores to local food banks and pantries. In 2017, we

donated 74 million pounds of fresh food to those in need through this critical program. We also have organic recycling programs in many of our stores to responsibly manage inedible food and other organics by feeding it to animals or composting it. In California, we have an anaerobic digester at our Ralph’s/Food 4 Less campus in Compton to help process our compostable materials into renewable biogas and ultimately renewable energy. Currently, 1,978 of our stores have these programs in place, and we will continue expanding this network.

### CARDBOARD AND OTHER RECYCLING

The cardboard that we collect for recycling in our stores is a significant revenue generator for us and, given the volume that we recycle each year, a key avoided waste stream. In fact, last year, we captured more than 718,000 tons of cardboard for recycling

in our stores. We also collect other common materials for recycling like aluminum cans, plastic bottles and glass, which further help offset our environmental impacts.

**SUPPORTING  
A CIRCULAR  
ECONOMY**

The Ellen MacArthur Foundation defines the “circular economy” as economic systems that look beyond the current “take, make and dispose” industrial model, to instead be restorative and regenerative by design. Key principles include designing out waste and pollution, keeping products and materials in use, and regenerating natural systems.

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

CONTINUED ON PAGE 80





## REUSABLE CONTAINERS

In 2017, we shipped a total of 140 million RPCs of fresh produce to our stores. RPCs improve product quality and significantly reduce waste by protecting fresh fruits and vegetables from the time they are packed at the farm or processing plant, throughout shipment and storage, and ultimately arrival at our stores. We estimate that the total use of RPCs last year eliminated the use of approximately 97,000 tons of waxed and corrugated boxes. IFCO uses lifecycle analysis to quantify sustainability benefits through

the share and reuse of their RPCs. Kroger saved more than 4 million pounds of product damage and avoided the carbon emissions equivalent of taking 4,500 cars off the road for one year thanks to this partnership.

We also use pooled CHEP collapsible, stackable totes in our manufacturing operations. Compared to the rigid-walled alternative bins, these collapsible totes can be shipped much more efficiently—they require one truck for every four trucks needed for traditional packaging—and can be recycled more easily at the end of life.

## POOLED (REUSABLE) PALLETS

In 2017, our manufacturing operations had 3.7 million pooled wooden CHEP pallets in circulation. These pallets are used to convey our self-manufactured products from our plants to our distribution centers, and ultimately to our stores. These pooled pallets replace linear, limited use alternatives. They also offer significant environmental benefits. For example, they are constructed from responsibly-sourced wood, they last 10 times longer, and they can be repaired, repurposed or recycled at end of life.

Investing in CHEP pallets helps us save about 2 million pounds of solid waste and nearly 1.6 million pounds of carbon a year. Many of our suppliers also ship their products to our distribution centers on

CHEP pallets, which creates shared environmental benefits, enabling the additional reduction of 10 million pounds of waste and nearly 7.7 million pounds of carbon emissions in our collective supply chain.

In 2017, CHEP launched a CarbonNeutral® half pallet. While the pooled half pallets are shared, reused and inherently sustainable, CHEP takes an extra step to close the sustainability loop by calculating the platform’s carbon footprint and buying offset credits for the remaining carbon. These offset credits benefit the Mississippi Valley Reforestation project, which protects an important American ecosystem. By using the CarbonNeutral® half pallet last year, Kroger avoided adding more than 53,000 pounds of CO<sub>2</sub>-e into our supply chain.

We’re committed to helping shift the way our economy works, supporting more sustainable outcomes in the future.



## RECYCLING SOLUTIONS FOR OUR CUSTOMERS

We also offer a popular in-store plastics recycling program for our customers—typically located in our store lobbies. We accept several types of *Our Brands* packaging, such as clean and dry plastic shopping bags, bread and produce bags, bottled water case wraps, and bathroom tissue and diaper plastic overwraps. We also accept national brand product packaging that is compatible with in-store drop-off programs. In addition, Kroger associates use this program to recycle pallet shrink wrap. In 2017, we collected more than 37.9 million pounds of plastic through this program.

## REUSABLE BAGS

While helping recycle plastic bags, we strongly advocate for transitioning to reusable bags and encourage customers to change their habits by offering a wide variety of reusable bags. In fact, each year, we sell millions of these reusable bags to our customers. Additionally, many parking lots at our stores have signs on the cart corrals that remind our customers to bring their reusable bags into our stores. Simple reminders like these can further reduce plastic bag waste and encourage customers to change their shopping habits.

## MOVING THE NEEDLE IN THE KING SOOPERS DIVISION

The King Soopers Division (153 King Soopers and City Market stores across Colorado, Wyoming and northern New Mexico) is making great strides on their journey to become zero waste by continuously improving how they execute on our waste diversion programs, including composting and recycling. By building awareness and associate engagement, these King Soopers and City Market stores continue to divert more food and waste away from landfill to better uses. In fact, some of the leading stores in this division divert more than 80% of waste from landfill. Store #9 in Ft. Collins, Colo., was among the leading stores in his division in waste diversion.

“We just followed the best practices given to us, and had daily conversations with our department managers to make sure we donate any food we can and that we compost or recycle everything we possibly can. The trash dumpster is the last resort,” says Gary Atherton, store manager.

In 2017, 100% of the stores in the King Soopers Division participated in the Zero Hunger | Zero Waste Food Rescue program, up 11% from last year. From 2016 to 2017, food donations increased by 27% across these stores. A key part of the success for this program is ongoing engagement with the local food bank partners. By increasing the frequency of pick-ups and

communicating the benefits and logistics of the program to associates, the stores are improving participation and results.

Some of the secrets to their success included semi-monthly reporting to ensure all stores were participating and key logistical changes that led to more pick-ups per week to increase donations. In addition, they invited representatives from all partner food banks to meet with the relevant store department managers to talk about the value of the food they’re donating and review donation guidelines.

For all the food that can’t be donated, 123 of this division’s 153 stores run a robust food waste recycling program, diverting nearly 8,700 tons of food from landfills to animal feed and composting in 2017. One of the keys to their success was partnering with their recycling vendor to add new routes to their pick-up, thus hitting more stores more often. This was the case in our City Market store in Aspen, which added food composting in 2017.

“The landfill in Aspen will be at capacity in less than 10 years, and we all feel we need to do our part to eliminate waste going to the landfill. The composting program is a great way to eliminate waste and recycle as many items as we can,” says John Hailey, store manager.



THE PLASTIC BAGS THAT WE COLLECT AND RECYCLE FOR OUR CUSTOMERS ARE RE-MANUFACTURED INTO COMPOSITE DECKING AND NEW PLASTIC SHOPPING BAGS.

## WASTE IN OUR PLANTS

Nearly a decade ago, Kroger Manufacturing started to focus on reducing and diverting waste because it had the potential to reduce costs and generate recycling revenues. Just as importantly, it became “the right thing to do” as a company that cares about our impact on the environment. Our plants’ sustainability initiatives, including those related to waste, have become a point of pride for many of our associates and have caused a significant culture shift in our plants. The success of our plants’ zero waste efforts has led the way for Kroger’s zero waste efforts across the company.

Kroger Manufacturing’s zero waste program has focused on diverting any waste generated away from landfill, with a goal to divert 90% or more of waste to

better uses, such as reuse; recycling through food donation, animal feed, recycling, and land application; and by recovering energy from waste where needed. Kroger’s manufacturing facilities have continued to rapidly adopt zero waste practices so that 33 of Kroger’s 36 Kroger-operated facilities have diverted 90% or more of waste from the landfill for at least a year, with the 34th facility well on its way to sustaining this status.

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.

## WINCHESTER FARMS DAIRY

Kroger’s Winchester Farms Dairy plant, located in Winchester, Kentucky, is one of our 19 dairy processing plants. This facility processes approximately 1 million gallons of milk each week into a variety of dairy products—such as white milk and chocolate milk, cottage cheese, sour cream and yogurt—and supplies more than 2,000 Kroger stores.

Our approximately 180 associates working at Winchester are highly committed to our sustainability efforts, including the manufacturing group’s annual goals to reduce the use of electricity, natural gas and water across our plants. In 2017, Winchester reduced electricity use by 1.65%, natural gas by 3.39% and water by 3.06% (all per unit of product produced).

Winchester has also been exemplary in its efforts to send zero waste to the landfill. The plant recycles a wide range of materials, including paper, plastic, cardboard, paperboard, metal, glass and wooden shipping materials. Thanks to the passion and enthusiasm of its associates, the plant achieved zero waste to landfill (more than 90% out of landfill) in a short time after starting this initiative, and has maintained that commitment for several years.

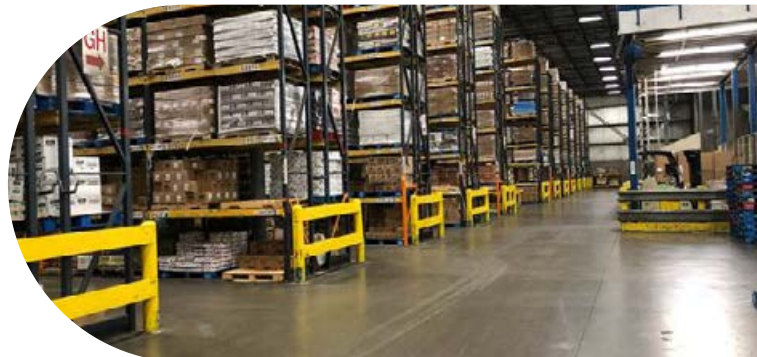


## WASTE IN OUR DISTRIBUTION CENTERS

Two associates in each distribution center lead our sustainability initiatives, and drive our ongoing commitment to zero waste. In 2017, Kroger's Logistics team recycled a variety of materials across its 42 facilities, such as cardboard, wood, metal, plastic, and paper. The group also donated more than 26.9 million pounds of rescued food to local food banks, including more than 10.1 million pounds of perishable foods.

Our distribution centers continue to increase their investment in reusable pallets as a means to reduce waste, and in the case of plastic pallets, to reduce the energy and emissions impacts of shipping them. Once they reach their end of life, they are sent back to our vendor who regrinds them for recycling into new pallets.

The Ralphs/Food 4 Less Distribution Center in Compton, Calif., is home to the company's first anaerobic digester, which opened in 2013. Ralphs 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 anaerobic digester. Food waste that cannot be sold or donated, as well as on-site dairy processing effluent, are transformed into renewable biogas through the naturally occurring process of anaerobic digestion. This biogas is then turned into power for onsite operations. Using the anaerobic digester reduces area truck trips substantially and reduces waste costs by millions of dollars.



## ZERO WASTE DISTRIBUTION CENTER

The associates at Kroger's distribution center (DC) in Cleveland, Tenn., are truly Zero Heroes—they work hard every day to keep waste out of the local landfill.

They are taking our vision of Zero Hunger | Zero Waste to heart, keeping plastic and cardboard out of landfills, rescuing food that can feed people and animals, and directing general merchandise that has been removed from sale to organizations that can use it.

The 750,000 square-foot warehouse at the Peyton Southeast DC in Cleveland is one of many Kroger distribution centers nationwide that meet the company's zero waste target of 90% diversion from landfill. "Conserving resources goes beyond what we're asked to do," says Don Swafford, compliance officer at the DC. "It's something we're passionate about."

DC associates deserve credit for many innovations that support our sustainability goals, says Angie Freeman, senior supply chain manager. For example, one associate devised a way to capture clean pet food from damaged bags so that it could be donated to local shelters. Now, the DC donates about one pallet a week of pet food to help animals.

CONTINUED ON PAGE 84



Forklift operators also suggested relocating bins to make it easier to recycle scraps of cardboard, the largest component of the facility's waste stream. That change, and the addition of two more cardboard balers, enabled 850,000 pounds of cardboard to be baled and recycled every four weeks. In the same period, DC associates recycle about 58,000 pounds of plastic.

Sometimes, general merchandise reaches the warehouse and needs to find a good home. Last year, the facility experienced an overstock of discontinued paper and pens, and the team worked to donate the items to local schools.

The Cleveland DC team continues to make zero waste a top priority. "If we are missing an opportunity to do better, our associates are all over it," says Angie. "They make suggestions, and we listen."

## WASTE IN KROGER CONSTRUCTION

As in the rest of our business, zero waste is also an imperative for our Construction group. As part of our Facility Engineering team, the Construction team focuses on reducing waste in remodels, expansions and new store projects. In 2017, 204 projects (47%) 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 79,000 tons of waste (87% diversion rate) from landfill. Nearly 90 of these projects (44% of those participating) met our zero waste objective of diverting 90% or more of the waste from the landfill. Due to issues with data tracking, we did not meet our goals this year; however, we are confident that we will improve our performance in 2018 with some adjustments to tracking capabilities.

## MANAGING HAZARDOUS WASTE

Our Environmental Compliance team is constantly working to implement simpler processes for our stores to handle and dispose of unsalable hazardous products in a lawful and responsible manner. We use licensed hazardous waste vendors to remove these materials from our stores, pharmacies, distribution centers, and manufacturing plants and ensure they are destroyed legally (e.g., landfilled, incinerated). Additionally, we continue to work with an innovative recycling company that designs customized mail-back programs to recycle and reuse commercial chemical products that would otherwise have to be destroyed. The hazardous products recycling program offers 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 recycled 40,000 pounds of aerosol cans and 35,000 pounds of unsalable commercial chemical products in 2017 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 2017 was roughly 81,000 pounds, a 15% increase over 2016 amounts. With the success of these programs, we continue to look for opportunities to recycle more of our unsalable consumer products.



PLANET

# FOOD WASTE

AS PART OF KROGER'S **ZERO HUNGER | ZERO WASTE** SOCIAL IMPACT PLAN, WE ARE COMMITTED TO ELIMINATING FOOD WASTE ACROSS OUR COMPANY SO THAT NO FOOD IS GOING TO LANDFILL BY 2025.

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

Recovering edible food that is lost through the value chain (farms, food manufacturers, consumer-facing businesses and homes) represents an opportunity to support Americans who experience hunger and food insecurity, build efficiency in the supply chain, and shift consumption in a way that reduces environmental impacts. This topic is important to many of our stakeholders, including our company associates and leadership, industry associations, NGOs and suppliers.

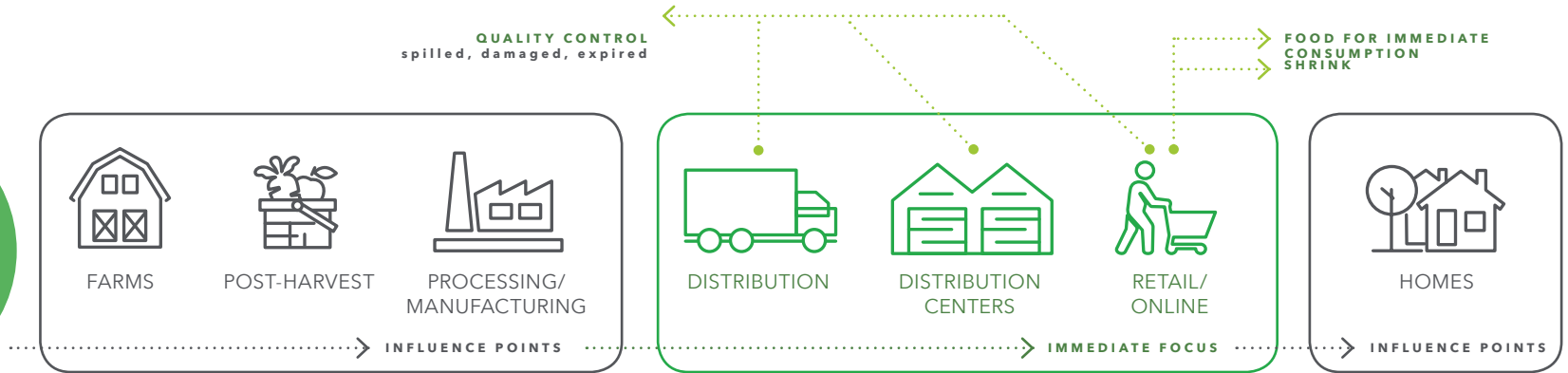
What does this mean? First and foremost, we are working to minimize the amount of food waste generated in our direct operations, and to divert any remaining food waste away from landfills—to be a zero food waste company.

We will also partner with our suppliers and our customers to reduce food waste through education, awareness-building and waste reduction initiatives.

Our Corporate Affairs team guides our zero food waste strategy and goals development and tracking with the endorsement of leaders in retail, manufacturing and logistics. 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.



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



## HOW WE REDUCE AND RECOVER FOOD WASTE

Achieving Kroger's vision of zero food waste includes following the EPA Food Recovery Hierarchy, as discussed next.

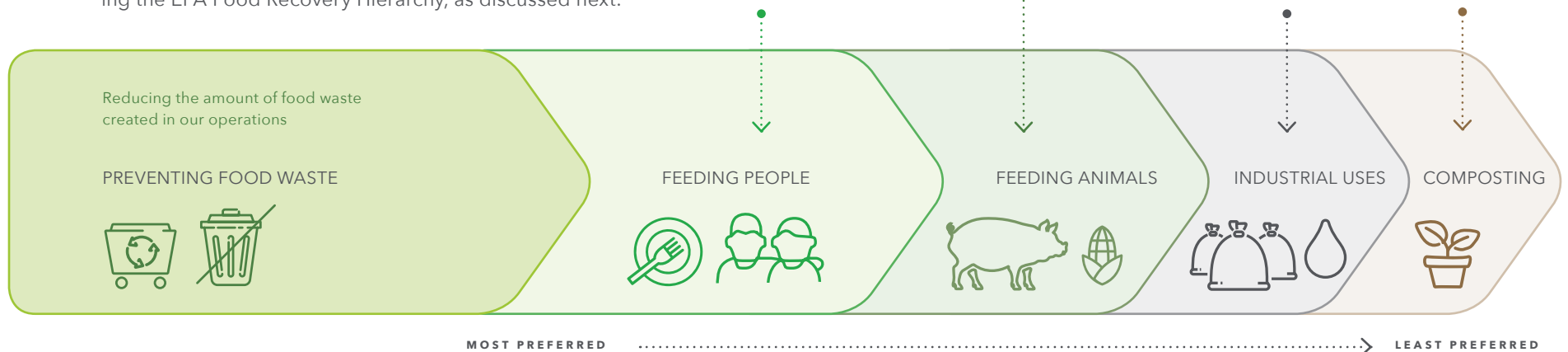
Accelerate donations of wholesome food from our retail stores through our Zero Hunger | Zero Waste Food Rescue program

Train current and new associates in food rescue to improve store-level execution

Expand processes that allow donation of safe and nutritious food scraps to animals where feasible

Leverage existing technology Kroger is using in California and Indiana to convert food waste and wastewater into renewable energy through anaerobic digestion

Continue to expand composting of food waste from stores as appropriate to provide nutrients back to the environment



## DATA ANALYSIS AND BASELINING

Our commitment to achieve zero food waste by 2025 starts with understanding our current food waste footprint. Reducing waste starts with measurement, so we can understand where the most significant opportunities to reduce and divert more waste lie.

In 2017, Kroger and WWF began work to establish measurement metrics and a baseline footprint in our business operations. This process initially focused on 2,500 stores in our family of companies. We focused first on assessing avoidable food waste

across retail supermarket operations. Using the newly created World Resources Institute (WRI) Food Loss and Waste Standard, Kroger and WWF evaluated and outlined where 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.

WWF used several data sources to inform this work, such as shrink data from stores, waste and diversion

data, food donation numbers and waste audit findings. This information informed calculations of the total amount of food donated, diverted, lost to shrink and disposed, which then provided a picture of how food waste is being managed in our stores. This in turn identifies opportunities to decrease waste produced, reduce shrink (loss) and divert more food waste from landfills.

DESTINATION	FOOD (Short tons)	INEDIBLE PARTS (Short tons)
Animal feed	44,258	7,663
Anaerobic digestion	25,966	2,264
Composting	8,669	273
Landfill	243,119	
<b>Total</b>	<b>332,212</b>	

## FOOD WASTE FOOTPRINT

Based on this analysis, we estimate that about 27% of food loss and waste in our stores is being diverted for compost, animal feed or anaerobic digestion, while 73% is being landfilled. This includes both food and inedible (meat 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 Standard specifies that food rescued for people to eat does not classify as “food waste.” A more detailed breakdown of the destination and volume by destination of food loss and waste in our stores is shown to the left.

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. For reviewed audits, 42% of municipal solid waste (MSW) sent to landfill by stores without food waste recycling programs is estimated food loss, while 27% of MSW sent to landfill by stores with food waste recycling programs is estimated food loss.



## PRIORITIZATION AND GOAL-SETTING

Our initial analysis on food waste in our retail operations has helped identify existing programs that need improved execution, as well as new opportunities for innovation and progress to help achieve zero food waste. We are setting interim goals and milestones to shape our focus and priorities in the coming years. Given our recent store-focused data analysis, these milestones are currently focused on our retail operations; however, we anticipate expanding our work to address other parts of our business as our efforts continue. Milestones are highlighted below. We plan to report progress on these goals in future communications.

### PRIORITY #1: REDUCE FOOD WASTE

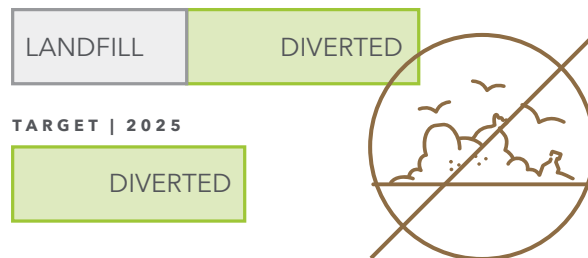
First and foremost, our priority is to eliminate avoidable food loss within our operations. We can accomplish this in several ways, such as reducing food loss on the sales floor through improved ordering and merchandising practices. How we sell and display food in the store can create loss, or what the industry calls “shrink.” We will partner with key departments to measure “edible” and “non-edible” loss and to identify targets and initiatives to reduce avoidable food loss. We will also work with our suppliers and customers to define new ways to display, package and sell products so we can ensure edible food is not wasted in our stores, and to keep food fresh longer at home.

#### WHERE IS OUR FOOD LOSS GOING?

##### BASELINE | 2017



##### PROGRESS | 2021



##### TARGET | 2025



Food loss diversion data reflects data collected from stores on their composting, animal feed, fat/bone and used cooking oil recycling programs.

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### PRIORITY #2: ACCELERATE KROGER'S ZERO HUNGER | ZERO WASTE FOOD RESCUE PROGRAM

As America's grocer, we are connected to our communities—with global reach, and local touch. Food is a precious resource we never want to waste, which is why we're committed to expanding Zero Hunger | Zero Waste Food Rescue in all stores where food can be donated when it's nearing the end of its retail life.

- **Milestone:** 100% of stores donate food consistently every month as part of the Zero Hunger | Zero Waste Food Rescue program, up from 74% in 2017
- **Milestone:** 100% of stores donate food from all five approved perishable food departments
- **Milestone:** 100% of Kroger stores have certified Zero Hunger | Zero Waste Food Rescue programs

As of the end of 2017, 99% of our stores were participating in our Food Rescue program at some point in the year, and 74% donated consistently every month. We continue to explore opportunities to expand donations in current fresh departments and to new departments. We are also creating a Zero Hero | Zero Waste Food Rescue store certification program and will share updates as it takes shape.



FOOD WASTE  
RECYCLING  
LOCATIONS

PRIORITY #3: INCREASE FOOD LOSS RECYCLING PROGRAMS AND PARTICIPATION

- **Milestone:** 100% of stores have food loss recycling programs in place (animal feed, anaerobic digestion or composting)

Consistent with the EPA Food Recovery Hierarchy, after feeding people, we feed animals or we find industrial uses and composting options to avoid disposing of food waste in landfills. Many of Kroger's stores already have recycling programs in place that collect food waste to be used as animal feed or converted through composting. Our Ralphs and Food 4 Less stores leverage our anaerobic digester in Compton, Calif., to recycle organic waste, while other stores recycle food waste through partnerships with local vendors, facilities and farms.

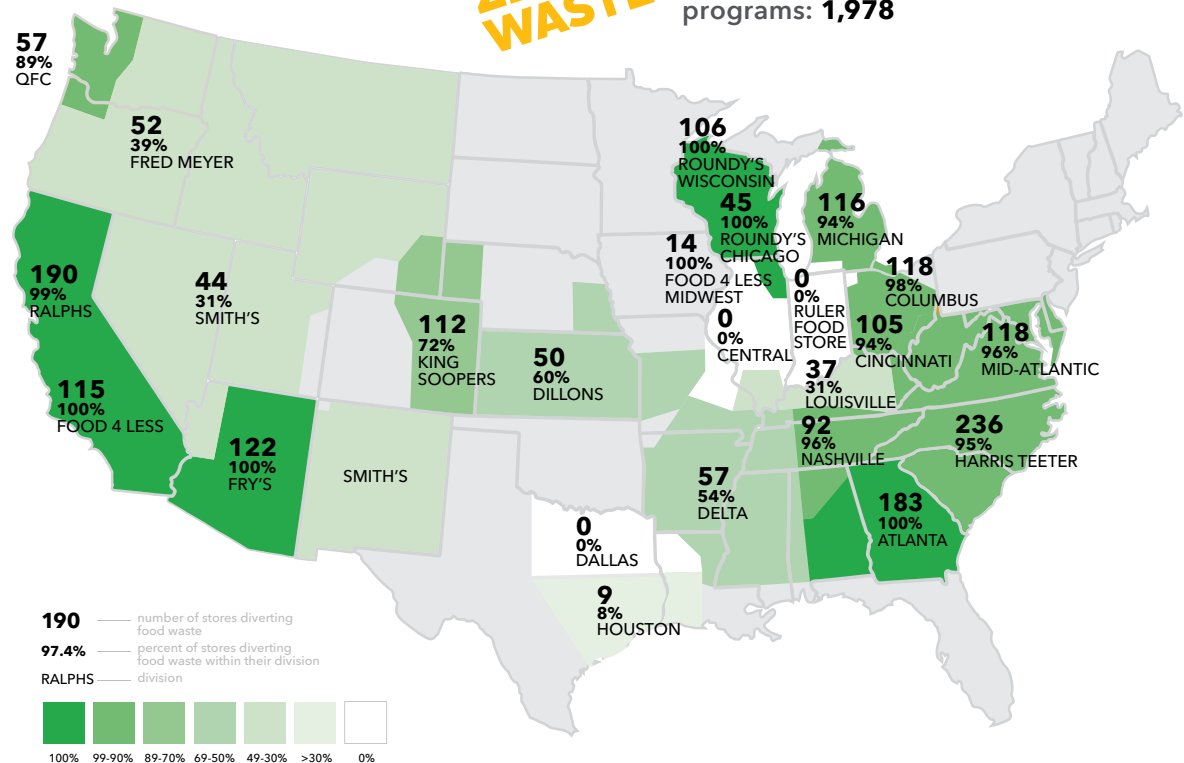
As of the end of 2017, 1,978 stores had food waste recycling programs in place, and this number continues to climb as we find food recycling opportunities in the regions where we operate.



**FOOD WASTE DIVERSION**

STATUS AT END OF DECEMBER 2017

Stores with food waste recycling programs: **1,978**



# WE WILL WORK WITH OUR SUPPLIERS AND SUPPLY CHAIN TO BETTER UNDERSTAND, REDUCE AND PREVENT FOOD WASTE.

## PRIORITY #4: WORK WITH MANUFACTURING AND LOGISTICS TO MEASURE AND MANAGE FOOD WASTE



- **Milestone:** Assess food loss in Kroger Manufacturing and Logistics operations
- **Milestone:** Identify opportunities to move food waste up the waste management hierarchy to better uses

Following the EPA Food Recovery Hierarchy, Kroger is using data insights to maximize food's value at every stage in operations. We want to ensure that

food never ends up in landfills to create a negative environmental impact through methane generation. With measurement and prevention as our foundation, we will drive food waste reduction efforts across the business. We will work across our business to identify innovative opportunities to decrease the food waste we generate, and to divert what is left away from landfill and to better end uses.

## PRIORITY #5: WORK WITH FARMERS AND CUSTOMERS TO REDUCE WASTE

Food and our natural resources are a precious gift requiring a sacrifice of energy, water, and often wildlife habitat. We want to work together to limit our ecological impact and ensure that we're only using what we need. Significant food waste may occur before a food item reaches Kroger's distribution centers, from waste generated on-farm to spoilage during transport. Similarly, a sizeable proportion of food waste happens at the consumer level, after our customers have purchased food from us. As a result, we will work with our suppliers and supply chain to better understand food waste impacts and where we can partner to decrease that waste. Additionally, we'll engage our customers through communications and product and service offerings to decrease their food waste impacts at home and work.





# ENERGY & EMISSIONS

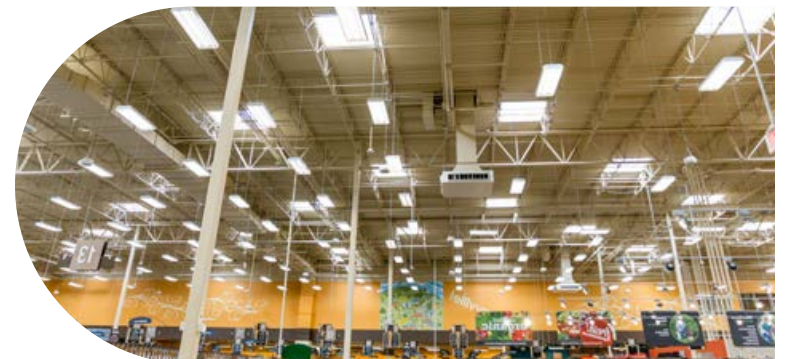
**WITH THOUSANDS OF STORES AND DOZENS OF FOOD PRODUCTION PLANTS AND DISTRIBUTION WAREHOUSES, KROGER'S DIRECT ENERGY AND EMISSIONS FOOTPRINT—AND ASSOCIATED COST—IS SUBSTANTIAL.**

GRI 103-1, 103-2, 103-3, 302-4

We also recognize that with a large, complex supply chain, we also have external 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, fleet/logistics 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 feel that Kroger can play a role in limiting emissions in our supply chain.





# KROGER HAS A HISTORY OF REDUCING CARBON EMISSIONS ACROSS OUR FOOTPRINT THROUGH INVESTMENTS IN ENERGY EFFICIENCY, RENEWABLE ENERGY AND REFRIGERANT EMISSIONS REDUCTIONS.

## 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 to improve our performance. Our experience suggests that the best way to manage our total carbon footprint is to manage the underlying components—all of which are integral parts of our core business. 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 conduct a formal carbon footprint 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 Retail, Manufacturing and Logistics—are responsible and accountable for managing our energy efficiency, refrigeration reduction and renewable energy investments. Our 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.

We partner with several external organizations and initiatives to ensure we are aligned with industry best practices and technological developments.

Our energy and carbon reductions initiatives fall into three main buckets:

- Energy efficiency
- Refrigerant emissions reductions
- Renewable energy

Relevant details for each of our business operations are described in the following pages.



## ENERGY MANAGEMENT IN OUR STORES

Kroger's Facilities & Engineering team has responsibility for leading energy efficiency, renewable energy and refrigerant emissions programs in our 2,800 store locations.

Kroger Retail has two climate-related goals:

**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.

As of 2017, Kroger's retail group has achieved a savings of 38%, putting us on track to achieve this goal. This goal currently captures all Kroger stores except for Roundy's and Harris Teeter because they do not have annual data from 2000–2018. Through this goal, we have saved over 1.75 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. Currently, this goal applies to all stores except for Roundy's and Harris Teeter.

We met our goals to reduce refrigerants by 10% in 2017

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, building and refrigeration control systems, and high efficiency lamps and ballasts. Newer features include refrigeration case controls, digital scroll and variable speed compressors, demand defrost and demand-control ventilation and machine learning algorithms.

Additionally, Kroger retrofits existing stores with energy efficient technologies to ensure we are saving electricity in these locations. In 2017, Kroger rolled out an extensive LED lighting retrofit project that reached more than 1,500 stores.

We use an energy management tool called Energy CAP 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.

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. By the end of the year, we had 793 certified stores. We continue to certify stores in 2018 and are experiencing rapid adoption after configuring our new energy management system to align with the ENERGY STAR Portfolio Management platform.

We also engage our associates. As part of our ENERGY STAR certification process, our facilities and engineering team surveys relevant stores on energy practices and conducts a training with store associates to educate them about how to save energy in their day-to-day operations.



ENERGY  
EFFICIENCY  
WINS IN OUR  
STORES

## KROGER WAS NAMED AN EPA ENERGY STAR® PARTNER OF THE YEAR IN EARLY 2018.

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. Through investments in refrigerant leak detection equipment and a better reporting system, as well as improved policies and practices around refrigerants installation, repairs and tracking, we continue to move the needle on minimizing emissions. We also continue to employ new lower-carbon natural refrigerants as they become more widely available. Through the EPA's GreenChill Partnership, we set annual reduction goals, and track and report our progress against these goals.



Let there be light, but make it energy efficient.

This mantra, and a lot of LED lamps—over 3.8 million to be exact!—helped earn Kroger the 2018 ENERGY STAR Partner of the Year Award for its prioritization of ENERGY STAR best practices in its energy management strategy and for its continued commitment to energy reduction.

One of the main reasons Kroger was recognized with this award is because of an LED lighting retrofit project across 1,544 stores. “By the end of 2017, the LED lighting project saved 104 million kilowatt hours (kWh) of electricity in our stores,” says Aaron Leow, energy/utility engineer for Kroger.” And, in fact, these retrofits along with other energy initiatives helped Kroger save a total of 137 million kWh hours of electricity last year, pushing us that much closer to achieving our 40% energy savings goal.”

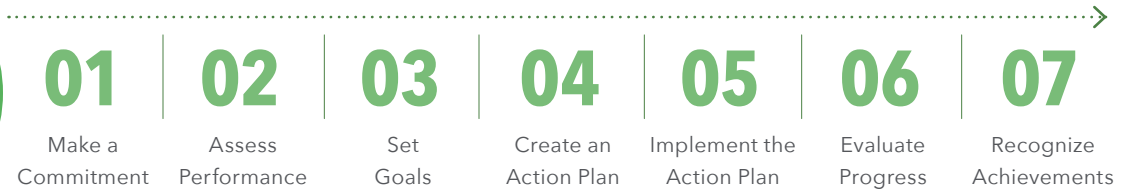
Some of the other reasons Kroger received the ENERGY STAR Partner of the Year Award were:

- In 2017, 325 Kroger stores were certified as ENERGY STAR buildings—more than any other commercial organization last year—bringing our

total number of certified stores to 793 stores at the end of the year.

- 1,933 of our stores achieved an average ENERGY STAR energy efficiency score of 70, which means they scored in the top 30<sup>th</sup> percentile of energy usage amongst similar building styles.
- Raised awareness of the ENERGY STAR label to more than 9 million customers every day through ENERGY STAR store certification labels and ENERGY STAR-labeled product sales.

“This recognition illustrates Kroger’s commitment to being a responsible steward of our planet’s natural resources,” says Lisa Zwack, Kroger’s head of Sustainability. “We’ve integrated sustainable practices into our business and continue to look for new ways to drive positive outcomes through innovative platforms like Kroger’s Zero Hunger | Zero Waste social impact plan, which is our vision to end hunger in the communities we call home and eliminate waste across our company by 2025.”



## 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. Ultimate responsibility for our plants and their sustainability efforts ladders up to our group vice president of Manufacturing.

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.

Like Kroger Retail, 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, that helps Kroger identify a clear path forward for energy efficiency in its plants. We first implemented this framework across our manufacturing plants in 2015, and continue to apply these principles in our work.

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 targets.

**1. Electricity:** Our goal was to reduce electricity-per-unit-produced by 3% in 2017.

We reduced by 1.86% per-unit-of-production (1.82% total reduction)

**2. Natural gas:** Our goal was to reduce natural gas-per-unit-produced by 3% in 2017.

We reduced by 0.32% per unit of production (0.33% total reduction)

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.

Kroger Manufacturing uses a variety of technologies to drive efficiency. Recently, we started to install monitoring systems for multiple utilities including electricity, natural gas, and water consumption as well as discharges to allow for real-time monitoring of leaks and other unusual activity so we can address these in a timely manner.

And, finally, we evaluate renewable energy opportunities. For example, in 2017 we installed a wastewater treatment facility at our KB Specialty Foods plant that uses anaerobic digestion to process food byproducts into renewable biogas and ultimately renewable energy for the plant. When running at maximum capacity, the digester can provide up to 30% of the plant's power.





## ENERGY MANAGEMENT IN OUR LOGISTICS OPERATIONS

Our Logistics team moves several million items across the country every day. We operate and maintain 42 distribution centers across the U.S. Our store delivery fleet of 3,200 tractors and 12,000 trailers makes more than 8,600 deliveries every day. In 2017, that translated to traveling almost 369 million miles to our stores and facilities. Given the nature of their operations, Kroger Logistics' energy reduction programs are focused on driving efficiency into our fleet.

Our Logistics energy programs are managed by our facilities and fleets teams, with ultimate responsibility laddering up to the vice president of Logistics, Supply Chain and Replenishment. Each Logistics facility has two sustainability leads who monitor energy usage and recycling and reuse programs.

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

**Improve fleet efficiency by 20% by 2020 from a 2010 baseline.** Our Logistics 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 inboard and outbound loads to our stores and throughout our transportation network.

- By the end of 2017, we had achieved an improvement of 8.1% 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. Environmental Protection Agency's SmartWay program. The program is a voluntary, public-private partnership that helps companies like Kroger improve their transportation supply chains by using a consistent set of EPA-tested tools to make informed transportation choices. The tools allow us to measure, benchmark and report our carbon emissions each year. 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 approximately 200 new tractors each year, we reduce fuel spend and continue 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 its 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.

Kroger Logistics also invests in energy efficient technologies and in renewable energy, with the ongoing goal to reduce energy usage in these facilities. In 2017, the group retrofitted 218,000 light-bulbs to LEDs in 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.

## OUR ENERGY MANAGEMENT STRATEGY DEPLOYS RENEWABLE ENERGY AS A PILLAR OF PROGRESS AND IMPROVEMENT.

### RENEWABLE ENERGY

#### WIND

Kroger hosts the Frey Farm Wind Turbine Project at our Turkey Hill Dairy in Lancaster, Penn. Turkey Hill purchases all wind energy produced from these turbines, which can supply up to 25% of the dairy's annual electricity needs.

#### SOLAR

Several Kroger-operated stores have installed roof-top 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.

Our Logistics team has deployed two photovoltaic solar systems at our distribution centers. The Fred Meyer Clackamas Distribution Center in Oregon was the first to install a photovoltaic system in 2011, at a 500-kW capacity. Smith's Food & Drug Stores also installed a 1-MW solar photovoltaic rooftop mounted system in Utah 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 2017, these wind and solar installations produced more than 14.5 million kWh of renewable power.

#### ANAEROBIC DIGESTION

To date, we have installed two anaerobic digester facilities in our Manufacturing and Logistics operations. The naturally occurring process of anaerobic digestion transforms the organic material that is placed into the digesters into renewable biogas. This biogas is then turned into power 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 2017, the Compton facility processed about 30,000 tons of organics like food waste and flowers and generated about 1.1 million kWh of electricity.

In late 2017, we started up a second anaerobic wastewater treatment system at the KB Specialty Foods manufacturing facility in Greensburg, Ind. The system will turn food production byproducts into energy and improve air quality in the area. The new system features a dome that captures biogas from food byproducts at the plant, which will then be harnessed to generate electricity that will be sent to the plant's electrical grid.



## CARBON EMISSIONS AND ENERGY CONSUMPTION TRENDS

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

We have measured and managed our total carbon footprint since 2006. In 2017, our total corporate carbon emissions were 6,824,376 metric tons of carbon dioxide equivalents (tCO<sub>2</sub>e). This includes 2,788,652 tCO<sub>2</sub>e of scope 1 (direct) emissions from mobile and stationary fuel sources (e.g., natural gas, diesel fuel, refrigerants) and 4,035,724 tCO<sub>2</sub>e of scope 2 (indirect) emissions from purchased electricity consumption.

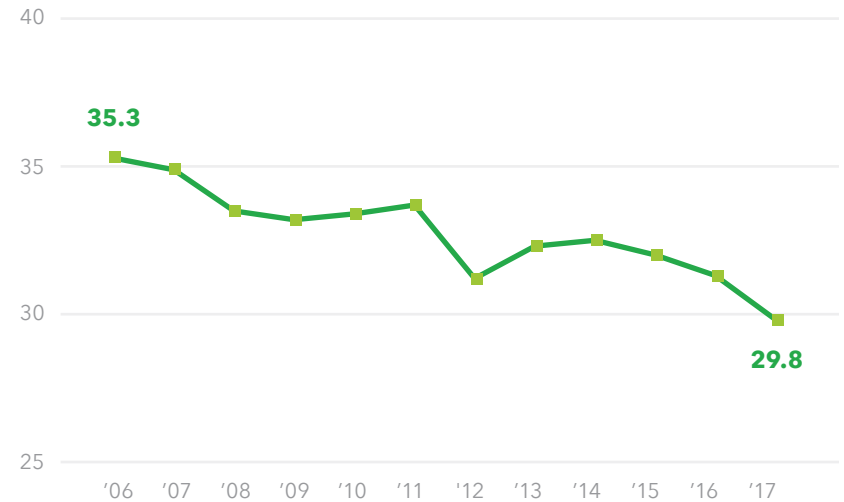
This represents a 6% decrease in our total corporate carbon emissions from 2016. A significant driver of these reductions was a 10% decrease in our scope 2 emissions primarily due to the extensive electricity savings we achieved in our stores after retrofitting lighting to LEDs. While our natural gas usage did increase slightly this year due to colder temperatures, this was offset by a sizeable reduction in refrigerant emissions due to our improved leak detection systems and processes.

Company-wide, our total energy impacts increased slightly (less than 1%). Natural gas consumption increased from the previous year due to colder weather, as did some motor fuel due to improved tracking this year. Electricity use decreased by 0.5% across the company.

Our normalized carbon emissions (tCO<sub>2</sub>e per 1,000 sf) decreased by 5% in the same time period. In addition, normalized emissions have decreased by about 15% since 2006 when we first started tracking our carbon footprint.

## TOTAL NORMALIZED EMISSIONS

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



In 2017, we have estimated 1,773,078 tons CO<sub>2</sub>e in Scope 3 emissions from activities such as business travel, employee commuting and waste generated in our operations.

We include a more detailed breakdown 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.



**CARBON  
IMPACTS**

CARBON EMISSIONS	AMOUNT	UNIT
Direct (Scope 1) emissions	2,788,652	tCO <sub>2</sub> e
Indirect (Scope 2) emissions (location-based)	4,035,724	tCO <sub>2</sub> e
Total Corporate (Scope 1 and 2) emissions	6,824,376	tCO <sub>2</sub> e
Indirect (Scope 3) emissions	1,773,078	tCO <sub>2</sub> e

CARBON INTENSITY	AMOUNT	UNIT
Carbon Emissions Intensity per Square Foot	29.8	MWh/1,000 ft <sup>2</sup>
Normalizing factor: facility footprint	228,995	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 reflects Scope 1 and 2 emissions.

**ENERGY  
IMPACTS**

ENERGY CONSUMPTION	AMOUNT	UNIT	AMOUNT	UNIT
Total Non-Renewable Fuel Consumed	4,221,242	MWh	1.52E+16	joules
Stationary sources (natural gas, propane, fuel oils)	3,163,998	MWh	1.14E+16	joules
Mobile sources (diesel, gasoline, LPG, jet fuel)	1,057,243	MWh	3.81E+15	joules
Total Renewable Fuel Consumed	14,156	MWh	5.10E+13	joules
Total Electricity Consumption	8,506,512	MWh	3.06E+16	joules
<b>Total Energy Consumed</b>	<b>12,741,909</b>	<b>MWh</b>	<b>4.59E+16</b>	<b>joules</b>

ENERGY INTENSITY	AMOUNT	UNIT	AMOUNT	UNIT
Energy Intensity per Square Foot	55.64	MWh/1,000 ft <sup>2</sup>	2.00E+11	joules/1,000 ft <sup>2</sup>
Normalizing factor: facility footprint	228,995	1,000 ft <sup>2</sup>	228,995	1,000 ft <sup>2</sup>

1. This data reflects the vast majority of Kroger's operations with the exception of certain stores.
2. Using each fuel type's heat content value, we were able to convert each fuel source from total gallons to therms and the MWh.
3. Energy intensity calculation reflects total energy consumer within the organization.



PLANET

# WATER

## AT KROGER, WE RECOGNIZE OUR RESPONSIBILITY TO REDUCE WATER USE, FIND REUSE OPPORTUNITIES AND MANAGE WATER DISCHARGE QUALITY TO PROTECT LOCAL WATER SOURCES.

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 about 7 billion gallons of water this last year.

While water use in Kroger-operated manufacturing plants and facilities matters, other areas of the supply chain, such as agricultural practices, may play a larger role in maintaining water quality and availability. Water use and quality in our supply chain—particularly from agricultural products—is also important, and, in fact, has a greater impact than in our manufacturing plants and other facilities. For example, fertilizer use and regional water scarcity in the United States and other countries influence water supplies for both our plants and our suppliers.

In 2017, Fry's store #72 in Gilbert, Ariz., received the Water Wise Gilbert award from the municipality. The Water Wise program helps businesses use water wisely and still maintain a thriving and beautiful landscape at their site. Participants are recognized for staying within 20% of their annual landscape water budget assigned by the program and for monitoring their site for water leaks.





THE PLANT  
SAVES 4,080  
GALLONS  
OF WATER  
PER DAY.

Kroger's Winchester Dairy processing plant in Kentucky recently implemented an improvement to minimize the amount of water used to clean vats between cottage cheese processing cycles. By reducing the water levels in the cottage cheese vats by 6 inches (while still meeting food quality and sanitation standards), the plant saves 4,080 gallons of water per day, or about 1,273,000 gallons per year. In fact, projects like this one allowed the plant to reduce water consumption by more than 3% in 2017.

## 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 2017, Kroger supermarkets had achieved a 0.5% reduction in water usage from the 2015 baseline. 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 2017, Kroger Manufacturing achieved a 2.98% reduction in water intensity (2.75% total reduction) across the 34 Kroger-operated plants that are integrated into our tracking system.

To achieve these goals, our engineering teams and associates continuously evaluate our processes and operations to identify water reduction opportunities that are relevant to operations. Then we evaluate these opportunities to consider environmental and financial benefits and costs.

In 2017, our supermarkets continued to implement a project to reduce water in the Starbucks kiosks located in our stores. We are achieving significant water savings by retrofitting the "water wells" used to clean the utensils with "timed push buttons" as opposed to faucets that run continuously. In 2017, we executed this program in 41 stores, with each installation averaging a 175,000-gallon water savings per year. After full rollout, this should save 26,250,000 gallons of water annually.

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.

And finally, our Logistics 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  
THE  
KROGER  
COMPANY

ABOUT THIS  
REPORT

ZERO HUNGER |  
ZERO WASTE

OUR CUSTOMERS  
& COMMUNITIES

OUR PEOPLE

OUR PLANET

**OUR PRODUCTS**

**Our  
Commitment**

Better-for-You  
Products

Sustainable  
Product  
Packaging

Responsible  
Sourcing

Supply Chain  
Accountability

Food Safety



# CUSTOMER INSIGHTS ILLUSTRATE THAT A GROWING NUMBER OF CUSTOMERS WANT TO MAKE BETTER, MORE INFORMED PURCHASE DECISIONS.

## OUR PRODUCTS

The Kroger family of companies strives to use natural resources responsibly, to protect human rights and to ensure animal welfare in our supply chain. We have commitments and programs in place that address environmental and social impacts in our supply chain, which includes the entire food growing and distribution system from farm and ocean to our stores.

We also want to help customers reduce their environmental and social impacts through the products and services we offer them. 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.

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.



## PRODUCTS

# BETTER-FOR-YOU PRODUCTS

THE STORY BEHIND A PRODUCT HAS BECOME A MOTIVATING FACTOR FOR MANY CUSTOMERS, AND IS ALSO OF INCREASING INTEREST TO STAKEHOLDERS LIKE INVESTORS AND NON-GOVERNMENTAL ORGANIZATIONS. IN ADDITION, OUR CUSTOMERS ARE RAPIDLY ADOPTING HEALTHY LIFESTYLES THAT REQUIRE BETTER-FOR-YOU PRODUCTS THAT ALIGN WITH THEIR PERSONAL GOALS AND VALUES.

Kroger is quickly becoming a top destination when customers are looking for affordable and accessible organic and natural foods. We offer thousands of natural, organic and eco-friendly product choices to meet our customers' needs and preferences for their families and homes. We continue to be one of the largest natural food retailers in the U.S. by sales volume. Natural foods have seen double-digit growth in our stores for the past several years— in fact, our sales of natural and organic products reached \$16.7 billion in 2017.

### LIVE NATURALLY

Natural and organic food products are sold in the Live Naturally sections of our stores, which are found as stand-alone departments but increasingly are also being integrated throughout the store. Customers can identify these products in store by looking for the [Live Naturally](#) leaf in our store signage and on shelf tags. We also promote these products to our customers throughout the year, as well as through special events like our Sustainability

Lives Here campaign. We also offer a Live Naturally magazine to share new products, ideas and information about natural and organic products with our customers. Today, 2,200 of our stores have Natural and Organic sections for packaged foods, and most carry organic products in the Produce department. On average, these stores carry about 4,000 natural and organic items.





We know that what's *not* in your products is now as important as what is in your products. Similarly, what goes on your body is becoming as important as what goes into your body. That's why all the products within this department must adhere to Kroger's strict natural food ingredient standards, which means they must refrain from using 100+ ingredients, flavors and preservatives our customers tell us are "undesirable." We have developed "Free From" lists for [Food](#), [Non-food](#) and [Health and Beauty](#) products, so our customers can see exactly what we stand for. We also carry many organic and non-GMO products in the Live Naturally section of our stores.

Our Natural Foods team continues to offer products made with the ingredients our customers want plus the option to buy from companies that engage in business practices that are important to them. Third-party certifications such as Fair Trade, Rainforest Alliance and Forest Stewardship Council are examples of the trusted third-party certifications that help our customers purchase products that align with their values.

Because natural and organic products are an ever-growing area of interest for our customers, we expand our assortment to meet evolving consumer demand. We consider natural and organic products as part of our regular product category reviews to

ensure we include these products across our assortment. In fact, we added more than 200 natural foods brands in 2017. Kroger [brought more than 40 representatives](#) to the 2017 Natural Products Expo West Trade Show—our largest attendance yet—to stay abreast of what is coming up in this space and to engage with our suppliers.

We also hosted our inaugural [Natural Foods Innovation Summit](#) in Cincinnati this year, bringing more than 40 brands directly to our offices to connect with our merchandising and *Our Brands* teams on emerging trends and products. A [second summit](#) followed in early 2018, and we will continue to host these to bring true innovation and emerging brands to suit our customers' lifestyles to our stores.

***Kroger infuses innovation into its products and processes across the business, from hosting natural foods innovation summits and launching our new Culinary Innovation Center, to using an Innovation Center of Excellence to iterate new product ideas that address both opportunities and challenges in the customer experience and product impacts.***

Learn more about how we help our customer shop for healthy and nutritious products in our stores in the [Health & Nutrition section](#) of this report.

## SEVENTH GENERATION



Seventh Generation is a company and brand long-known for its sustainable business practices. The company's mission is: "To inspire a consumer revolution that nurtures the health of the next seven generations." We offer our customers a wide assortment of Seventh Generation products in categories like laundry, household cleaning, dish cleaning, household tissue and baby diapering.

These products align with Kroger's Live Naturally platform because they are 'free from' 101 artificial ingredients, including artificial brighteners, scents and dyes. Relevant Seventh Generation products are certified to the USDA Biobased Products standard, while paper products and plastic packaging are all made from 100% recycled material.

In 2017, the company also introduced a new Seventh Generation Disinfectant Spray that kills cold and flu viruses and eliminates odors with a botanical disinfectant made from essential oils (specifically thyme oil).



## ORGANIC AND NON-GMO

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, in 2017, we carried more than 9,000 organic items in our stores and achieved \$1 billion in sales of organic produce. Our dedicated procurement team partners with more than 300 organic produce growers and suppliers every year to bring our customers an exciting selection of organic fruits and vegetables.

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 and Simple Truth Organic® orange juice
- Hunter Farms Dairy in High Point, N.C., which produces organic ice cream
- Hutchinson Dairy in Hutchinson, Kan., which produces ultra-pasteurized organic milk and soy milk

- Kenlake Foods in Murray, Ky., which produces Kroger nuts and oatmeal
- La Habra Bakery in La Habra, Calif., which produces Simple Truth Organic® breads & buns
- Mountain View Foods in Denver, Colo., which produces organic dairy products
- Pace Dairy—Rochester (Cheese) in Rochester, Minn., which produces organic cheese
- Swan Island Dairy in Portland, which produces organic dairy products
- Tamarack Farms Dairy in Newark, Ohio, which produces Simple Truth Organic® milk and yogurts

There is also growing interest from our customers about genetically modified organisms (GMOs). 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, since the National Organic Program standards do not allow GMOs in the production of organic products.

## ONCE UPON A FARM



Once Upon a Farm is an organic, cold-pressed, “As Fresh As It Gets” refrigerated baby and kid food brand aiming to disrupt the traditional shelf-stable baby category with its current offerings of baby food, applesauce and smoothies. Kroger currently carries several Once Upon a Farm baby food items across our retail supermarket divisions and plans to add new toddler and smoothie blends in summer 2018.

The Once Upon a Farm company, based in California, and its products have many features that offer environmental sustainability, social benefits and healthy features to our customers. For example, the BPA-free packaging is recyclable through a recycling partnership with TerraCycle; ingredients are certified organic and Non-GMO Project Certified to support environmentally-friendly farming practices; and the production process uses high-pressure processing (HPP) to lock in nutrients, taste and texture while ensuring the highest levels of food safety.

Once Upon a Farm is also B Corp Certified, meaning it meets the highest standards of overall social and environmental performance, transparency and accountability.



## SIMPLE TRUTH® AND SIMPLE TRUTH ORGANIC®

Our natural and organics store brands, Simple Truth® and Simple Truth Organic®, reached a milestone \$2 billion in annual sales in 2017—this was within five years of launching the brand exclusively in our stores. Both product lines have clearly defined product standards to distinctly communicate to shoppers what they do or do not include. The Simple Truth® brand offers more than 1,400 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.

## SIMPLE TRUTH® AND FAIR TRADE

Today, Kroger’s Simple Truth® brand offers more Fair Trade Certified™ products than any other private label grocery brand in the country, with 37 certified

products spanning coffee, tea, spices, herbs, coconut, and sugar on the market by the end of 2017. We first brought Fair Trade products to our stores in 2000 and we continue to search for certified products that are of interest to our customers.

Fair Trade Certified™ is a market-based approach to building sustainable livelihoods for the farmers, workers and fishermen who produce our favorite goods. Fair Trade helps ensure responsible practices and safe, healthy working conditions on the farms where products are grown. To earn certification, producers must meet rigorous social and environmental standards, which cover areas like child labor, maternity leave, water conservation and the elimination of harmful chemicals. Fair Trade also helps empower farmers and workers to actively improve the future of their families and communities. With every sale, farmers earn additional money—called the Community Development Fund—which is used collectively to address important needs in the community.

We are proud of Simple Truth®’s Fair Trade Certified™ products that empower farmers, spark sustainable business and support thriving communities. Purchasing these certified ingredients—more

than 7.54 million pounds in 2017—helped direct more than \$409,000 to support community development in our supply chain. This year, we visited several of our Fair Trade suppliers to get first-hand experience at the farms and in the communities where these ingredients are grown and processed.

We visited sites on the main island of Luzon and in the Quezon region of the Philippines, the origin of our Fair Trade coconut water, coconut oil, coconut shreds and flakes, and lip balm. The Peter Paul company that manufactures our Simple Truth® coconut water operates as zero waste, finding responsible outlets for the waste it produces, which makes this partnership especially exciting for Kroger and our Zero Hunger | Zero Waste vision.

In addition, our coffee sourcing and processing team visited several coffee cooperatives and farms in the Chiapas region of Mexico, which is where Kroger sources coffee for *Our Brands* coffee products. Through this experience, our team saw the full coffee growing and harvesting process, from picking cherries from the trees to drying out the beans. They also got to do “cuppings” to taste and evaluate the coffee at the farms they were visiting.

© Fair Trade





## PRODUCTS

# SUSTAINABLE PRODUCT PACKAGING

WE RECOGNIZE THE IMPORTANT ROLE WE PLAY AS A **GOOD STEWARD** OF THE ENVIRONMENT, INCLUDING EFFORTS TO REDUCE PACKAGING AND INCREASE RECYCLABILITY OF PACKAGING. WE FOCUS ON REDUCING WASTE AS PART OF OUR COMMITMENT TO BE A **ZERO WASTE COMPANY BY 2020** AND AS PART OF OUR ZERO HUNGER | ZERO WASTE SOCIAL IMPACT PLAN.

In 2016, we announced our 2020 Sustainability Goals. One of these goals specifically focuses on improvements in *Our Brands* packaging: By 2020, Kroger will optimize packaging in corporate brands 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. This goal has multiple parts, which can be reviewed in the [2020 Goals section of this report](#).

Through our focusing on *Our Brands* packaging, we aim to reduce the amount of plastics and unsustainable virgin fibers in our packaging and increase recycled content and recyclability.

The *Our Brands* packaging team is designing product packages that use less plastic, helping us make significant progress on our goal to reduce plastic in *Our Brands* packaging by 10 million pounds by 2020. By the end of 2017, we had reduced plastic by more than 4.8 million pounds, and have completed or planned an additional 5.6 million pounds of reductions in 2018 and 2019. Hence, we are on track to achieve our goal well ahead of schedule.

WE ARE ON  
TRACK TO ACHIEVE  
**OUR PLASTIC  
PACKAGING  
REDUCTION  
GOAL.**

## WE BELIEVE OUR PARTICIPATION IN THE SUSTAINABLE PACKAGING COALITION WILL **ACCELERATE** OUR PROGRESS TO ACHIEVE OUR 2020 GOALS.

The biggest example of source reduction is the redesign of *Our Brands* gallon milk jug. The new milk jug still is made of the same 100% recyclable high-density polyethylene as the old jugs, but the unique design allows us to use approximately 10% less plastic while retaining the same performance. As of the end of 2017, we had rolled this new jug out to six of our dairy processing plants, with additional facilities coming on board throughout 2018. We will also continue to identify other projects to reduce packaging at the source and promote sustainable packaging across our operations.

We also continue to improve our product labels as part of our packaging updates to help increase awareness among our customers about how to recycle our packaging. We label recyclable *Our Brands* products according to the Federal Trade Commission's Green Guides, prompting our

customers to "Please Recycle." As we update our packaging labels, we clearly denote when packaging, such as plastic, paper and aluminum containers, is recyclable. Where a shrink sleeve may interfere with the recyclability of a plastic bottle, we are adding a tear perforation and the message "Remove Label to Recycle Bottle" to the labels. Similarly, where products use plastic overwrap that can be recycled through our in-store plastics recycling program, we are adding language to the overwrap that directs our customers to "Please Recycle at your local Kroger Family of Stores drop-off location."

We regularly assess opportunities to increase recyclability of our products and to incorporate more recycled content into the materials we use, with the objective of finding opportunities that meet both sustainability and business needs.

We are actively engaging in industry collaboration groups and directly with our stakeholders on these topics. To accelerate efforts to achieve our packaging goals, Kroger joined the Sustainable Packaging Coalition in 2017. We believe our participation will accelerate our progress and help advance industry-wide and supply chain-wide initiatives to move the needle on recyclability and to identify suppliers who can support our sustainable packaging goals.





PRODUCTS

# RESPONSIBLE SOURCING

AS A LARGE RETAILER OFFERING THOUSANDS OF PRODUCTS TO CUSTOMERS ACROSS THE COUNTRY, WE RECOGNIZE THAT THERE ARE SOCIAL AND ENVIRONMENTAL IMPACTS IN OUR SUPPLY CHAIN.

GRI 103-1, 103-2, 103-3, 414-1

For the Kroger family of companies, developing and adhering to responsible procurement practices can have wide-reaching benefits, including high quality manufacturing standards; positive social impacts like increased supplier diversity, protection of human rights (including with regard to the mining of conflict-free minerals and gems); support for regional sourcing; environmental stewardship; and improved supply chain traceability.

Responsible sourcing is an important topic to our stakeholders. Investors, non-profit organizations and our suppliers care deeply about our sourcing and want to help us mitigate negative impacts. Responsible sourcing pertains to our internal sourcing operations as well as our suppliers.

Particularly as it pertains to our private label products—what we call *Our Brands*—responsible sourcing is a key focus area for our sustainability strategy. *Our Brands* comprise about 25% percent of all products we sell, and Kroger manufactures about 40% of these products in our own manufacturing plants. As a result, we have a unique opportunity to directly influence supply chain practices across a wide variety of products and inputs.

OUR BRANDS  
COMPRISE  
ABOUT **25% OF**  
**ALL PRODUCTS**  
WE SELL

## HOW WE MANAGE RESPONSIBLE SOURCING

The goal of our responsible sourcing program is both to mitigate risks and negative impacts as well as to drive positive change where we can.

We determine which commitments, policies, protocols and capabilities will allow us to accomplish this in the most effective manner. We do this through our risk management framework; through dialogue and engagement with stakeholders, investors, industry groups and subject matter experts, among others; by staying abreast of emerging trends, regulations and policies; by tracking consumer expectations and preferences; and by consulting with sourcing and other leaders in our business.

This framework requires the leadership, partnership and engagement of multiple stakeholders both within our company and externally. Establishing

commitments and policies is done collectively by the multiple internal functions and leaders, including but not limited to Ethics and Compliance, Sustainability, Sourcing, Corporate Food Safety, Merchandising and *Our Brands*. We often consult with and leverage external partners and advisors, as well.

To execute on our responsible sourcing commitments and imperatives, we engage our suppliers to communicate our priorities. We use governance, accountability and compliance mechanisms to ensure that suppliers are aligning with our objectives. We use marketing mechanisms to communicate commitments and goals to consumers and, where relevant, use on-product labeling to communicate certifications. 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 how we made progress against these this past year. Finally, the [Supply Chain Accountability section](#) of this report provides additional discussion on how Kroger reviews and improves our suppliers' alignment with relevant sourcing commitments.

### THE SUSTAINABILITY CONSORTIUM (TSC)

For the past few years, Kroger has been a member of The Sustainability Consortium (TSC), a multi-stakeholder non-profit organization that designs and implements measurement and reporting systems that improve product sustainability. TSC's technical experts have been a valuable resource to Kroger as we continue to evaluate and prioritize high-impact commodities in our supply chain.

In late 2017, we leveraged TSC's tools, expertise and guidance to conduct a data collection and engagement pilot with several cocoa suppliers. The objectives of this project were to gain increased visibility to key social and environmental impacts in our cocoa supply chain and to inform our sourcing strategy moving forward. In addition, the effort contributed to TSC's ongoing development of product- and commodity-specific metrics to assess supply chain impacts.





## 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 violations of law. 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.

Most suppliers will require a new audit annually, however a risk-based assessment may allow for a longer period between audits.

We have evaluated our supplier base against multiple criteria to determine which suppliers and products should be audited, and the following products are included: all *Our Brands* (food and non-food products) and unbranded products (such as bulk produce) processed at facilities outside the U.S. Kroger also requires audits for direct import national brand products where Kroger is the importer of record. 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.

In some instances, Kroger 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 categories, 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.



We recognize the value of industry collaboration to streamline social accountability programs and reduce supplier burden. To that end, we have been 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 two years, a coalition of representatives from Kroger and other retailers, along with produce suppliers and growers, have participated in various meetings and calls to construct 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.





## 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-adopted and industry-aligned 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.

Since 2008, we have convened our own independent panel of animal science experts to make recommendations on how we can work with the industry to improve animal welfare. These experts meet at least once annually to review our suppliers' compliance with FMI's Animal Welfare standards and to provide updates on the latest trends in animal husbandry and animal welfare.

We continue to work with the vendor community to evaluate emerging and evolving topics, and to adopt new practices. On the pages that follow, we summarize our commitments and practices on relevant animal welfare topics.



### Here is how we are addressing these key areas:

**Cage-free eggs:** As our customer base has been changing to prefer cage-free eggs, we have been sure to provide this as an option. 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. In 2017, 21% of the eggs we sold met or exceeded cage-free requirements.

**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 fact, we recently 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. Most of Kroger's suppliers have already made this move or have publicly-stated, time-bound commitments to do so.

**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 F.A.R.M. Program: Farmers Assuring Responsible Management™, which provides consistency and uniformity of best practices in animal care and quality assurance in the dairy industry. By the end of 2017, 100% of dairy farms supplying Kroger met 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: Farmers Assuring Responsible Management™.

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



## 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 518 million gallons of milk and more than 228 pounds of cheese for our customers in 2017. We receive our raw milk from 8 dairy cooperatives that represent local dairy farmers from 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 F.A.R.M. 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.

**OUR DAIRIES PROCESSED  
MORE THAN 518 MILLION  
GALLONS OF MILK AND  
MORE THAN 228 POUNDS  
OF CHEESE FOR OUR  
CUSTOMERS IN 2017.**





## SUSTAINABLE SEAFOOD

OFFERING SUSTAINABLE WILD-CAUGHT AND FARM-RAISED FISH IS IMPORTANT TO OUR CUSTOMERS AND KROGER, PARTICULARLY BECAUSE WE ARE ONE OF THE LARGEST SEAFOOD PURCHASERS IN THE WORLD. WE RECOGNIZE THE IMPORTANCE OF RESPONSIBLY-SOURCED SEAFOOD AND TAKE STEPS TO ENSURE THAT THE VARIETY OF FISH WE ENJOY TODAY IS AVAILABLE FOR FUTURE GENERATIONS.



© Antonio Busiello / WWF-US

Photo courtesy of World Wildlife Fund

### Industry and Stakeholder Engagement

- In 2009, Kroger began a collaboration with World Wildlife Fund’s (WWF) seafood team to guide our sustainable seafood initiative, particularly for wild-caught seafood. Through this partnership, we have been able to identify targets, work towards achieving these through our purchasing decisions and the way we support fisheries working towards sustainability, and stay abreast of developing trends in sustainable fisheries management. Through our partnership with WWF, we have prioritized the Marine Stewardship Council’s certification standard for our wild-caught seafood goals.
- We were a founding partner of the Global Sustainable Seafood Initiative (GSSI), which brings together over 60 industry members with a vision for more sustainable seafood for everyone. GSSI’s mission is to ensure confidence in the supply and promotion of certified seafood as well as to promote improvement in the seafood certification schemes. This is achieved through GSSI’s Global Benchmark Tool, which recognizes robust and credible certification schemes, thereby helping purchasing companies better evaluate different schemes and have confidence



in the seafood they source. We served on the GSSI Steering Board from 2013-2015 and are currently a Funding Partner.

- Kroger has aligned its sustainable seafood commitments for farm-raised seafood with the Global Aquaculture Alliance’s (GAA) Best Aquaculture Practice (BAP) standard, which establishes requirements and audit protocols for seafood farms in the areas of environmental practices, food safety and quality.
- The International Seafood Sustainability Foundation (ISSF) was formed in 2009 to create science-based solutions for tuna fisheries worldwide. Kroger has a long-standing commitment to only source tuna from fisheries that are participating members of ISSF.




*“As the largest grocer in the U.S., Kroger has the power to bring about real change on the water. The company’s sustainability program provides more choices for responsibly produced seafood and encourages fisheries to pursue certification to the Marine Stewardship Council standard. These activities will help support healthy oceans for generations to come.”*

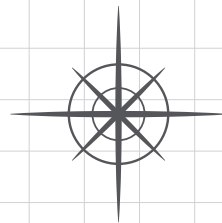
*–Michael Griff  
Manager, Seafood Engagement, WWF*



# KROGER-SUPPORTED FISHERY IMPROVEMENT PROJECTS



-  FIP FUND AND SOURCE
-  FIP SOURCE
-  AIP SOURCE



ECUADOR  
PERU  
CHILE  
ARGENTINA

VIETNAM  
INDONESIA  
PHILIPPINES

## Sustainable Seafood Goals

### 1. For wild-caught seafood, our commitment is that, by 2020, Kroger will source:

100% (all species) of wild-caught seafood in its 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.

As of 2017, Kroger is sourcing 87% of our wild-caught fresh and frozen species by volume under these criteria

**Kroger will preferentially source MSC-certified wild-caught seafood and, by 2020, Kroger will source at least 90% of its volume from fisheries that are MSC-certified.**

As of 2017, 75% of our total volume is coming from MSC-certified fisheries.

This goal is an extension of an earlier goal to source 100% of our top 20 wild-caught species (by volume) from fisheries that are MSC-certified or on the path to certification—that is, being fully assessed for MSC certification or engaged in a comprehensive fishery improvement project (FIP)—by 2015.

### 2. For shelf-stable tuna, Kroger is committed to:

Sourcing 100% of shelf-stable *Our Brands* tuna from companies that participate in the International Seafood Sustainability Foundation (ISSF) tuna conservation program.

In 2017, 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.

### 3. For farm-raised seafood, our commitment is that:

**By 2020, 100% of farm-raised seafood in our Seafood Department is certified to sustainable seafood certifications and programs recognized by the Global Sustainable Seafood Initiative (GSSI).**

For the following species—tilapia, salmon, pangasius, mussels and trout—more than 90% of the farm-raised fish in Kroger's Seafood Department is certified to the BAP Two-Star level or greater.



## BAHAMAS LOBSTER

While most consumers associate lobster with Maine, many of the lobster tails sold in America come from warmer waters, including those of the Bahamas. In fact, the Bahamas exports about \$80 million worth of lobster tails to the U.S. and Europe.

Since it began in 2010, the Bahamas lobster FIPs has succeeded in measurably strengthening the fish stocks and bolstering good management practices. It is a case study in the value of collaborating across the supply chain from surf to supermarket.

With support from the FIP’s participants, World Wildlife Fund partners with the Bahamas Marine Exporters Association, The Bahamas Department of Marine Resources and The Nature Conservancy to engage fishermen, processors, exporters, and

large U.S. seafood buyers to drive improvements on the water.

The top priorities of the FIP have been to measure the lobster populations and annual harvest, to count and map lobster traps, to establish and enforce clear seasons and size restrictions to allow lobsters to reproduce, and reduce illegal, unreported, and unregulated fishing. All of this helps the thousands of Bahamians who rely on the fishery for full-time or part-time livelihoods. Improving the fishery also benefits wildlife that, like us, eat lobster—including dolphins, sea turtles, sharks, and octopus.

The FIP got started in 2010 and entered into full assessment last year—meaning it is being evaluated for certification against the standards of the Marine Stewardship Council.



© Mac Stone/ WWF-US

*“WWF is focused on promoting healthy oceans and marine wildlife,” said Wendy Goyert, senior program officer, World Wildlife Fund, “but sustainably managed, MSC-certified fisheries yield so many more benefits. It’s good for the fishermen who can continue to rely on the fishery for income, it’s good for the exporters who can enter new markets where consumers value sustainability, and it’s good for retailers who can deliver the sustainable seafood that consumers are increasingly asking for.”*

### Supporting Fishery Improvement Projects

An important part of Kroger’s sustainable seafood initiative is our support of FIPs. Comprehensive FIPs offer a step-wise approach for fisheries to reach the MSC standard. This collaborative effort brings together fishers, the private sector, government, researchers and NGOs to improve the environmental performance of a fishery. This approach ensures that FIP activities are aligned with regionally-specific interests.

By working with WWF to support comprehensive FIPs, Kroger is helping improve the health of the world’s oceans and ensure the long-term viability of fisheries and livelihoods of fishers around the globe.

To date, Kroger has supported 27 FIPs—mapped on the previous page—and one aquaculture improvement project (AIP) since 2009 through sourcing, letters to key stakeholders and/or direct funding.

### Purchasing Decisions About At-Risk Species

Sometimes, despite efforts to make fisheries more 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. We rely on expertise from many sources and science to guide our sourcing decisions. We are proud of the work we are doing because of our partnerships and informed buying processes.



## RESPONSIBLY SOURCED PALM

We recognize the devastation that deforestation can have in tropical environments, particularly from the four commodities of palm, beef, soy, and pulp and paper. The majority of Kroger's supply in these categories is from domestic sources, thus minimizing deforestation impacts. For example, our beef is from U.S. cattle farms, except for a small portion that comes from Canada and Uruguay (for Simple Truth Organic® Beef and Grinds).

The exception is palm oil, which has become the world's leading oil crop and today accounts for roughly one-third of the global vegetable oil production. This oil has grown in popularity within the food industry as a cooking oil, shortening, margarine, milk fat replacer, and as a cocoa butter substitute.

As a result, in 2013, we adopted a company policy about the use of palm oil in *Our Brands* products. We are committed to purchase 100% certified sustainable palm oil (CSPO) for *Our Brands* products. At the end of 2015, we achieved our goal and we continue to work with Suppliers to maintain the integrity of this commitment.

## PRODUCT QUALITY AND SAFETY

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.

Over the last several years, the *Our Brands* team has also responded to customers' requests to remove certain ingredients from our products. We have worked to reformulate alternatives for our baby products. They are now free from triclosan, quaternium-15, phthalates, parabens and chlorine-free pulp. And by the end of 2014, *Our Brands* body washes and antibacterial soaps were triclosan-free. This area continues to evolve and *Our Brands* will respond, as further demonstrated by our Simple Truth® brand, which is free from over 100 undesirable ingredients.



## Bisphenol A

Kroger recognizes that Bisphenol A (BPA) is of concern to some customers. To address these concerns, 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 (such as pacifiers, training cups, and feeding utensils) by notifying suppliers of these items that we would only accept BPA-free offerings in this category. Since 2009, the infant and toddler products in the *Our Brands* portfolio have been BPA-free.

Kroger is steadfast in its efforts to remove BPA from the linings of *Our Brands* packages. We have made significant progress in engaging our canned goods suppliers to transition to feasible, Non-BPA alternatives. As of May 2018, we have converted 92% of applicable *Our Brands* canned goods to Non-BPA liners. This includes all canned offerings under our Simple Truth Organic® brand. As packaging labels get updated, customers can identify which canned goods have Non-BPA liners by simply locating our standardized Non-BPA liner icon across the *Our Brands* portfolio.

## SUSTAINABLE FLOWERS AND PLANTS

Kroger seeks to adopt sustainable practices in our floral and garden sections and products. We understand that customers increasingly want to know where and how flowers and other plants are grown, harvested and transported.



### *Sustainably-grown flowers*

As America's largest florist, we began our partnership with the Rainforest Alliance in 2014 to advance our sustainable sourcing goals and promote fair labor practices in our supply chain.

BLOOM HAUS™ is the premium sustainable *Our Brands* floral line. All BLOOM HAUS™ flowers carry the Rainforest Alliance Certified™ seal, ensuring the product is 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 seal assures customers that the flowers they are purchasing have been grown and harvested using environmentally- and socially-responsible practices.

Because roses are our top-sellers, we focused our attention there first. Working together, we achieved certification for all three floral farms supplying our roses. Today, all Kroger BLOOM HAUS™ roses are 100% Rainforest Alliance Certified™.

Today, we are one of the largest consumer outreach partners of Rainforest Alliance. "By sourcing flowers from Rainforest Alliance Certified™ farms, Kroger has helped make a direct, positive impact for farming communities in Colombia," said Rainforest Alliance's Senior Associate Jake Davignon. "They've also helped reduce water consumption and pesticide use, as well as the adoption of climate-friendly agriculture practices."

During the coming years, we aim to have as many of our flowers as possible be sustainably grown. So, the next time you're in our floral department, be sure to stop by and smell the 100% Rainforest Alliance Certified™ roses.

### *Neonicotinoids*

Kroger recognizes the global honey bee population is vulnerable, with research indicating that a cause may include the use of pesticides containing neonicotinoids. Due to this anticipated risk to the honey bee population, we are committing 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, via our [recently-released policy](#). Kroger's commitment is inclusive of outdoor plants known to be pollinated by honey bees or known to attract honey bees. As of 2017, 95% of our suppliers indicate they are not using neonicotinoids.



## 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. We participate in many state programs that support local and regional farmers, including: Kentucky Proud, Ohio Proud, Colorado Proud, Michigan Select, Buy Texas, Virginia’s Finest, and Goodness Grows in North Carolina. Kroger’s Discover Fresh website allows customers to discover featured local farms and learn more about their efforts to grow fresh produce. See more at [discoverfresh.kroger.com](https://discoverfresh.kroger.com).

### The Petrocco Family

“It all started with a handshake back in 1972,” says David Petrocco, Sr., owner and president of Petrocco Farms in Brighton, Colo., just outside Denver. “And now we’ve been selling lettuce, cabbage, leafy greens, green beans and onions to 50 King Soopers and City Market stores across Colorado for 40 years.”

To bring the freshest possible produce and local flavors to customers, we have partnerships with nearly 300 local growers nationwide, like Petrocco Farms. We choose farmers based on their ability to meet our food safety requirements, commit to product volume, and communicate their production strategy to our supermarket divisions.

What first started as the Petrocco family growing vegetables in the Abruzzo region of Italy has turned into five generations supported by farming. After moving to Colorado in 1914 to grow vegetables on 20 acres of land, today Petrocco Farms covers 3,000 acres of Brighton farmland. Roughly 70 of those acres are certified organic, meaning they are free from certain pesticides, fertilizers and additives.

What makes Petrocco Farms produce so delicious? Dave, Sr. says it’s the climate. He touts Colorado’s mile-high altitude, which comes with longer sunlight hours that pack extra vitamin A and C into their produce.

The family-run farm focuses on sustainability too. They ship vegetables to King Soopers and City Market stores in reusable plastic containers (RPCs),



which reduces waste versus corrugated cardboard boxes. Being local also means shorter transportation routes and lower emissions. Petrocco Farms also invested in a drip irrigation system covering 500 acres of farmland, delivering water directly to the plants’ roots and saving up to 80% more water than conventional irrigation.

Dave, Sr. states that there are fewer growers today than there were in the beginning but that today’s growers are producing more than before. He believes his farm has endured through the years with quality produce grown at a fair market value—and with a successful long-standing partnership between Petrocco Farms and King Soopers.







## 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.

## 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, which 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.

## SUPPLIER DIVERSITY

Diversity is one of Our Values, which is why we actively promote diversity 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 2017, we spent over \$2.6B on purchases from diverse suppliers, an increase of 12.8% vs. the previous year.

### *Billion Dollar Roundtable*

Since 2006, Kroger has spent more than \$1 billion annually with minority and women-owned business enterprises. 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 900 M/WBE companies in 2017. Other Billion Dollar Roundtable members include Procter & Gamble, Johnson & Johnson, Toyota and Microsoft.



### *Top Corporation for Women's Business Enterprises*

During 2017, The Kroger Co. was honored to be selected as one of America's Top Corporations for Women's Business Enterprises (Bronze Distinction) by the Women's Business Enterprise National Council (WBENC). The list of Top Corporations is designed to recognize organizations 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 2017, the United States Hispanic Chamber of Commerce (USHCC) once again included The Kroger Co. in its "Million Dollar Club." This club recognizes corporations that are leaders in integrating Hispanic-owned business enterprises (HBEs) into their supply chains. Corporate Honorees that were recognized spent between \$25 million to upwards of \$1 billion with Hispanic-owned companies in 2017.

### *OMNIKAL Omni50 List*

Kroger ranked 16<sup>th</sup> on the 17<sup>th</sup> annual list of America's Top 50 Inclusion Corporations in 2017. OMNIKAL (formerly DiversityBusiness.com) announced the Omni50 Award Winners, which are the top 50 U.S. corporations awarding the most business to the growing, culturally diverse vendor/supplier marketplace. This is the seventh consecutive year that Kroger has been recognized on this list.



# SUPPLY CHAIN ACCOUNTABILITY

GRI 103-1, 103-2, 103-3, 408-1, 409-1

WE HAVE RESPONSIBLE SOURCING COMMITMENTS AND REQUIREMENTS IN PLACE TO MINIMIZE NEGATIVE IMPACTS AND INCREASE POSITIVE INFLUENCE IN OUR SUPPLY CHAIN. WE HOLD OUR SUPPLIERS ACCOUNTABLE FOR MEETING OUR STANDARDS THROUGH ASSESSMENTS OF ENVIRONMENTAL, SOCIAL AND HUMAN RIGHTS PRACTICES, AS WELL AS EFFORTS TO IMPROVE THE TRACEABILITY OF OUR BRANDS PRODUCTS.

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. The purpose of our management approach is both to avoid and mitigate risks and negative impacts, and to use our influence to create positive impact where we can.

This topic is of high importance to many of our stakeholders, including investors, non-governmental organizations, customers and industry associations.

This topic pertains to both our internal stakeholders, including our sourcing teams, as well as our suppliers.

Responsibility for social compliance in our supply chain ladders up to our Chief Ethics & Compliance Officer, who has accountability to the Audit Committee of the Kroger Board of Directors and Kroger Chief Executive Officer. 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, and 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.

## SOCIAL COMPLIANCE AUDITS

As described in more detail in our [Social Compliance Program Overview](#), 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. The Code informs vendors that the facilities they operate and subcontract with can be subject to Social Compliance Audits.

We use an [audit checklist](#) to guide these factory visits, which are semi-announced. These audits are conducted by third-party vendors selected by Kroger. Audits are conducted at foreign facilities producing *Our Brands* products. Most suppliers will require a new audit annually. However, a risk-based assessment may allow for a longer period between audits.



## SOCIAL COMPLIANCE AUDITS (CONTINUED)

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* 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. 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.

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 the Kroger supply chain. Facilities that accumulate any Zero Tolerance violations are automatically designated as "Not Approved," and are required to resolve issues before business with Kroger can continue. Those on Corrective Action Plans are conditionally approved and required to resolve pending corrective action items according to schedule.

Our Social Compliance Program captures audits at facilities producing Food and General Merchandise products. In 2017, approximately 20% of the audits resulted in "Approved" facilities that can continue business with Kroger for another 12 months. Another 72% were assigned the "Corrective Action Plan" finding and required to fix violations on either a 6-month or 12-month timeframe. And finally, 8% of the total audits identified Zero Tolerance violations,

which means these facilities are deemed "Not Approved" and, if permitted, must correct 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 trainings for our company merchandising and sourcing teams, as well as suppliers.

To execute properly on this program, we maintain regular engagement with stakeholders. We communicate regularly with our vendors to share any updates to our Social Compliance Program protocols, and to share audit findings and required actions. As Kroger continues to roll out its new Supplier Hub in the coming year, our ability to track and communicate with suppliers will become increasingly streamlined.



## 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 will allow 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 Kroger 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.

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### The Supplier Hub supports:

- Increased customer safety,
- Simplified work processes,
- Standardized vendor onboarding,
- Consistent messaging, and
- Vendor/supplier traceability.

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.

New suppliers will enter their information directly into Supplier Hub. Existing suppliers in our sunsetting systems will be transitioned into Supplier Hub over the remainder of 2018. In 2019, we will 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 will also be adding 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](#).

## ANIMAL WELFARE AUDIT 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 do not operate any farms or animal processing facilities.

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 (see below) and are to be conducted by reputable independent commercial third-party auditing companies.

- **Beef:** American Meat Institute; North American Meat Institute; National Cattlemen’s Beef Association
- **Pork:** United Pork Production Federation
- **Chicken:** National Chicken Council

## THIRD-PARTY PRODUCT CERTIFICATIONS

Kroger gains additional visibility in our supply chains by leveraging third-party product certification schemes, programs and partnerships. As we discuss in the [Responsible Sourcing section](#) of this report, we have multiple programs and commitments in place to increase the environmental and social sustainability of the commodities we purchase and the products we sell.

For example, through our sustainable seafood commitments and partners like World Wildlife Fund, we have gained increased visibility into our seafood supply chains. We gain valuable insights to what is

happening in the Marine Stewardship Council (MSC)-certified fisheries, Best Aquaculture Practices (BAP)-certified farms, Fishery Improvement Projects (FIPs) and other qualifying fisheries from which we source.

Similarly, through the Fair Trade Certified™ and Rainforest Alliance Certified™ *Our Brands* products we sell, we leverage the certifying organizations to connect with the farms and communities we are benefitting through the certified ingredients and products we purchase.

- **Turkey:** National Turkey Federation
- **Eggs:** United Egg Producers

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 F.A.R.M. 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 F.A.R.M. program. We also require that any dairy farm supplying Kroger have completed at least one F.A.R.M. program audit.



And finally, sourcing 100% of dairy ingredients from dairy farms participating in the Farmers Assuring Responsible Management (FARM) program provides third-party credibility to our commitment to animal welfare and quality in our dairy supply chain.

## 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.



### SUPPLY CHAIN ACCOUNTABILITY .....>

In 2017, Kroger conducted multiple Supplier Compliance Conferences with our General Merchandise (GM) suppliers for selected product categories to provide them a comprehensive and holistic view of our GM compliance requirements, to enhance relationships with suppliers and to provide a communication platform for the key players in these relationships.

Three of these trainings took place in Hong Kong and China, and included more than 60 Kroger suppliers spanning multiple categories. These represented the first supplier compliance conference in the sourcing country, and provided highly useful information on suppliers' perspectives, interests and concerns about Kroger's supplier requirements.



## PRODUCTS

# FOOD SAFETY

WE ARE **COMMITTED TO BEING A LEADER IN FOOD SAFETY**. FOOD SAFETY AND QUALITY ASSURANCE IS THE CORE OF OUR OPERATIONS ACROSS ALL FACETS OF OUR BUSINESS, INCLUDING OUR RETAIL SUPERMARKETS, MANUFACTURING PLANTS AND DISTRIBUTION CENTERS.

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. 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.

### HOW WE MANAGE FOOD SAFETY

Kroger's committed team of food safety experts focuses on risk prevention, continuous improvement and innovation in food protection. Our Risk Prevention 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, and develop

and implement programs to address emerging food safety topics. As the company has grown through the years by expansion, mergers and acquisitions, our Risk Prevention Strategy has remained an unconditional part of these operating agreements.





## HOW WE MANAGE FOOD SAFETY (CONTINUED)

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 Global Food Safety Initiative (GFSI) Certified under the Safe Quality Foods (SQF) Level 3 Standard, which includes rigorous requirements for product safety and quality. We also require all *Our Brands* suppliers to be GFSI certified.

## OUR TEAM

Our food safety team implements our Risk Prevention Strategy every day in collaboration with many departments, including Corporate Food Technology, Retail Operations, Manufacturing, Logistics, Merchandising, *Our Brands*, Loyalty and Corporate Affairs. About 50 scientists and technologists in Corporate Food Technology 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 iHARPN 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 2017, we trained more than 45,000 hourly associates in Basic Food Safety through web-based learning programs. We also trained more than 3,100 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 3,200 store managers, assistant store managers and department managers earned national food safety certification through the National Registry of Food Safety Professionals in 2017.

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 2017, our training percentage was 97%, down slightly from the previous years as several divisions managed administrative staff changes.



## 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.

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 Prevention Strategy for food safety. It starts with effective store cleaning. We continuously improve our guidance on sanitation over time based on industry best practices. Kroger 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.

In 2017, we implemented new cleaning procedures in our Deli departments to further improve sanitation and specifically to minimize the growth of the bacterium *Listeria monocytogenes*. A few years ago, we also implemented a new cleaning process that uses low-flow foam to replace the traditional higher-pressure spraying of detergents and sanitizers. We continue to upgrade cleaning equipment for associates as needed and focus on training.



## FOOD SAFETY REVIEW AUDITS

Our retail store food safety audit program is designed to meet or exceed industry and company standards. All of 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. Kroger conducts bi-monthly Food Safety Review (FSR) audits of each store. These audits—conducted by third-party firms—augment inspections by local health departments and company associates. Every year, we receive approximately 15,000 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. From a baseline of 2009, our retail supermarket divisions have achieved significant improvements in food safety performance. Company-wide, Kroger's retail divisions have:

- Reduced critical violations per FSR audit from 1.36 in 2009 to 0.69 in 2017;
- Reduced critical repeat violations per FSR audit from 0.27 in 2009 to 0.11 in 2017; and
- Reduced Board of Health critical violations per FSR audit from 0.95 in 2009 to 0.89 in 2017.

## 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 on which we base our business.

Today, we manufacture about 40% of *Our Brands* items at 36 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, our exclusive Private Selection® line, Simple Truth®, Simple Truth Organic®, HemisFares® and many more.

Making safe, wholesome food is our highest priority. We apply our Risk Prevention 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 through the Global Food Safety Initiative (GFSI). The GFSI standards are best-in-class and require continuous improvement in food safety as measured by certified third-party auditors. In 2017, as part of our commitment to food safety, all manufacturing plants achieved higher SQF certification, moving to the Level 3 Standard. Level 3 encompasses all components of Level 2—including a certified HACCP food safety plan—and reflects comprehensive implementation of safety and quality management systems. 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 has a Quality Assurance Manager and a Safe Quality Food (SQF) Practitioner to oversee food safety performance.

We also procure products that are manufactured by other vendors and labeled as *Our Brands* products. All outside manufacturing facilities that supply Kroger-brand products are required to meet or exceed Kroger's food safety and quality standards and maintain GFSI certification.

At the plant level, our Risk Prevention Strategy includes the following components:

- Leadership and training,
- Hazard Analysis and Risk Based Preventive Control (HARPC) plans,
- Sanitation control,

- Food Allergen control,
- Environmental monitoring programs,
- Audits and Food Safety Reviews, and
- Recall management.

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 CGMP training that is appropriate for the plant in which they work, including a general overview of the plant's Hazard Analysis and Risk-Based Preventive Controls Program and Allergen Control Program. All current associates also receive refresher training at least once a year. After completing the CGMP training, each associate completes a quiz to verify their knowledge. We document all food safety training.

## HARPC PLANS

Kroger conducts a Hazard Analysis of each product or product group and develops a HARPC Plan when the Hazard Analysis shows that one or more preventive control is needed to control a food safety hazard. Before developing a HARPC Plan, 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 Team Audits, at least annually; and**
- **GFSI certification 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 Corporate Food Technology team of experts who coordinate recalls with suppliers, regulatory agencies and our own network of food safety specialists and recall managers. This 24-hour, seven-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.

## ADVANCING FOOD SAFETY

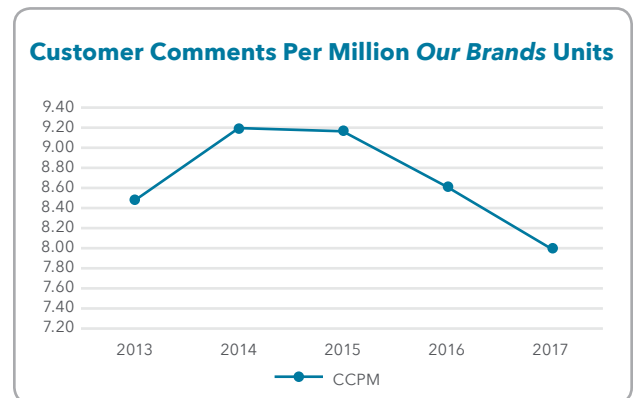
We continue to advance food safety through public policy advocacy and collaboration with industry partners. We are currently working with IBM and other leading companies across the global food supply chain on a major blockchain collaboration to further strengthen consumer confidence in the global food system. The group will work with IBM to identify new areas where the global supply chain can benefit from blockchain technology, such as improving product traceability and recall management.

Several years ago, Kroger supported the Food Safety Modernization Act of 2010 and endorsed the Rapid Recall Exchange to standardize and accelerate food and product recalls and withdrawals. We continue to advocate for and help develop new programs and standards that further advance sanitation, food protection, product traceability and recall management. We also continue to share innovative new approaches to food safety, including our electronic temperature monitoring system, Foods at Safe Temperatures.

## 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 Kroger has achieved a 5.9% reduction in customer complaints since 2013. These results include data from all *Our Brands* products, including Kroger-manufactured products and those procured from outside suppliers.



We closely monitor and focus on continuous improvement in this measure every year.



**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>				
<b>GRI 102: GENERAL DISCLOSURES 2016</b>	102-1	Name of the organization	<a href="#">About Kroger; 2018 Proxy Statement and 2017 Annual Report</a>	
	102-2	Activities, brands, products, and services	<a href="#">About Kroger; 2018 Proxy Statement and 2017 Annual Report</a>	
	102-3	Location of headquarters	<a href="#">About Kroger; 2018 Proxy Statement and 2017 Annual Report</a>	
	102-4	Location of operations	<a href="#">About Kroger; 2018 Proxy Statement and 2017 Annual Report</a>	
	102-5	Ownership and legal form	<a href="#">About Kroger; 2018 Proxy Statement and 2017 Annual Report</a>	
	102-6	Markets served	<a href="#">About Kroger; 2018 Proxy Statement and 2017 Annual Report</a>	
	102-7	Scale of the organization	<a href="#">About Kroger; 2018 Proxy Statement and 2017 Annual Report</a>	
	102-8	Information on employees and other workers	<a href="#">About Kroger; Talent Attraction &amp; Retention; 2018 Proxy Statement and 2017 Annual Report</a>	
	102-9	Supply chain	<a href="#">About Kroger; 2018 Proxy Statement and 2017 Annual Report</a>	
	102-10	Significant changes to the organization and its supply chain	<a href="#">About Kroger; 2018 Proxy Statement and 2017 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>	



**GRI INDEX**

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; 2018 Proxy Statement and 2017 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 Kroger</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; 2018 Proxy Statement and 2017 Annual Report</a>	
	102-46	Defining report content and topic Boundaries	<a href="#">About Kroger</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"

GRI STANDARD	DISCLOSURE NUMBER	DISCLOSURE DESCRIPTION	PAGE NUMBER(S) AND/OR URL	OMISSIONS
<b>MATERIAL TOPICS</b>				
OUR CUSTOMERS & COMMUNITIES				
<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</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>				
<b>GRI 103: Management Approach 2016</b>	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>	
<b>GRI 401: Employment</b>	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>				
<b>GRI 103: Management Approach 2016</b>	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>	
<b>GRI 403: Occupational Health &amp; safety</b>	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.	



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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>				
<b>GRI 103: Management Approach 2016</b>	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>	
<b>GRI 306: Effluents and Waste</b>	306-2	Waste by type and disposal method	<a href="#">Food Waste</a> –See Food Waste Footprint section.	
<b>ENERGY &amp; EMISSIONS</b>				
<b>GRI 103: Management Approach 2016</b>	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>	
<b>GRI 302: Energy</b>	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.	
<b>GRI 305: Emissions</b>	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>				
<b>GRI 103: Management Approach 2016</b>	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>	
<b>GRI 414: Social Supplier Assessment</b>	414-1	New suppliers that were screened using social criteria	<a href="#">Responsible Sourcing</a> —see Vendor Code of Conduct section.	
<b>SUPPLY CHAIN ACCOUNTABILITY</b>				
<b>GRI 103: Management Approach 2016</b>	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>	
<b>GRI 408: Child Labor</b>	408-1	Operations and suppliers at significant risk for incidents of child labor	<a href="#">Supply Chain Accountability</a> —see Social Compliance Program section.	
<b>FOOD SAFETY</b>				
<b>GRI 103: Management Approach 2016</b>	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>	
<b>GRI 416: Customer Health &amp; Safety</b>	416-1	Assessment of the health and safety of products and service categories	<a href="#">Food Safety</a> —see Food Safety Review Audits section.	



# KROGER 2017 AWARDS



The Kroger Michigan division was recognized with the 2017 Binson Heart of Gold Award  
–**Muscular Dystrophy Association**

The Kroger Michigan division was honored as Community partner of the year in 2017 for supporting those with Disabilities from Kadima

The Kroger Michigan division was recognized with The Economic Bridge Builders Award 2017  
–**The American Arab Chamber of Commerce**

The Kroger Michigan division was recognized with the 2017 Governors Service Award.  
–**The Michigan Community Service Commission**

The Kroger Co.’s Houston division was recognized with Business of the Year  
–**Brazoria County Hispanic Chamber of Commerce.**

The Kroger Co.’s King Soopers division was recognized with the Cumulative Lighting Efficiency Award  
–**Xcel Energy**

The Kroger Co.’s King Soopers division was recognized with Silver Certification in Louisville’s 2017 Green Business Recognition Program.

The Kroger Co.’s King Soopers division was recognized with Silver Certification in Lafayette’s 2017 Green Business Recognition Program.

The Kroger Co.’s King Soopers division received the “2018 Care and Share Community Champion” award  
–**Care and Share**

The Kroger Co.’s Dallas division was recognized as Best Grocery Store  
–**Best in Irving 2017**

The Kroger Co.’s Dallas division was recognized as Largest Corporate Team  
–**Susan G Komen Dallas**

The Kroger Co.’s Dallas division was recognized as Retailer of the Year  
–**Shelby Report**

The Kroger Co.’s Nashville division was recognized with the 2017 Spirit of American Award  
–**Cystic Fibrosis Foundation.**

The Kroger Co.’s Nashville division was recognized with the 2017 Day of Action Award  
–**United Way of Metropolitan Nashville.**

The Kroger Co.’s Columbus division was recognized with the CBUS Top 3 Pick–Best Pharmacy/Drug Store  
–**Columbus Dispatch**

The Kroger Co.’s Columbus division was recognized as the CBUS Top Grocery Store  
–**Columbus Dispatch**

The Kroger Co.’s Columbus division was named 2017 Energy Efficiency AEP Ohio Champion Winner for “Sustained Excellence”  
–**AEP Ohio**

The Kroger Co.’s Roundy’s division was recognized with the Wisconsin Partners for Clean Air Award  
–**Wisconsin Partners for Clean Air**

The Kroger Co.’s Roundy’s division Security Loss Preventions Manager Greg Crossley and Security Loss Prevention Investigator Michael Granato were recognized with the Joint Operations Award  
–**Chicago Police Department**

The Kroger Co.’s Fry’s division was recognized with the 2017 Hunger Hero Award  
–**United Food Bank**

The Kroger Co.’s Fry’s division was recognized with the 2016 Hunger Hero Award  
–**St. Mary’s Food Bank**

The Kroger Co.’s Fry’s division President, Steve McKinney was named 2017 Retailer of the Year, Leader in Excellence  
–**Arizona Food Marketing Alliance (AFMA)**



## KROGER 2017 AWARDS

The Kroger Co.'s Corporate Affairs Manager, Pam Giannonatti for the Fry's division was named Community Ambassador of the Year  
–**Junior League of Phoenix**

The Kroger Co.'s Fry's division was recognized with the Hero for Hope Award  
–**Phoenix Children's Hospital**

The Kroger Co.'s Fry's division was recognized with the Corporate Assist Award  
–**American Diabetes Association**

The Kroger Co.'s Fry's division was recognized with the Partnership Appreciation Award  
–**St. Vincent de Paul**

The Kroger Co.'s Fry's division was recognized with the Corazón Award  
–**Valle del Sol**

The Kroger Co.'s Fry's division was inducted into the AZ Million Dollar Circle of Excellence -Leading the Way in Supplier Diversity  
–**Arizona Hispanic Chamber of Commerce and Minority Business Development Agency, U.S. Department of Commerce**

The Kroger Co.'s Fry's division was recognized with the Flagship Appreciation Sponsor  
–**American Cancer Society, Making Strides Against Breast Cancer event**

The Kroger Co.'s Fry's division store manager, Sally Angulo was named the 2017 Food Marketing Institute's Store Manager of the Year winner in the "Over 200 Stores" category  
–**Food Marketing Institute**

The Kroger Co.'s Louisville division was recognized with the Kentucky Governor's Award in the Arts  
–**Kentucky Arts Council**

The Kroger Co.'s Louisville division was recognized with the William Booth Award  
–**The Salvation Army**

The Kroger Co.'s Smith's was recognized with the Compassion into Action Award  
–**American Red Cross**

The Kroger Co.'s Smith's was recognized with the Silver Harvest Honor for Generous Donations of Food  
–**Food Bank of Northern Nevada**

The Kroger Co.'s King Soopers was recognized with a Silver Certification  
–**Louisville Green Business Recognition Program**

The Kroger Co.'s King Soopers was recognized with a Silver Certification  
–**Lafayette Green Business Recognition program**

The Kroger Co.'s King Soopers was recognized with the Cumulative Lighting Efficiency Award  
–**Xcel Energy**

The Kroger Co. Central Division's store number 260 in Paris, IL was voted "Best Place to Buy Groceries"  
–**Prairie Press Reader's Choice Awards**

The Kroger Co. Central Division's store number 946 in Decatur, IL was recognized as "#1 Best Grocery Store," "#1 Best Produce," "#3 Best Health Food Store," and "#3 Best Sushi"  
–**Herald Reader's Choice Award**

The Kroger Co. Central Division was recognized as "Best Pulled Pork, BBQ Chicken, and BBQ Ribs"  
–**Bloomington Primetime Awards**

The Kroger Co.'s Smith's was nominated for honors from the St. George City Council for their work with the veteran community  
–**Board of Veterans and Military Affairs**

# KROGER 2018 AWARDS

The Kroger Co. was recognized with the 2018 ENERGY STAR Partner of the Year Award for Energy Management  
–U.S. EPA

The Kroger Co. was recognized with the U.S. Dairy Sustainability Award in the Outstanding Dairy Processing & Manufacturing Sustainability Category  
–Innovation Center for U.S. Dairy

The Kroger Co.’s Fry’s division was recognized with the 2018 Hunger Hero Award  
–St. Mary’s Food Bank

The Kroger Co.’s Fry’s division was recognized with the 2018 Hunger Hero Award  
–United Food Bank

The Kroger Co.’s Fry’s division was recognized with the Hero for Hope Award  
–Phoenix Children’s Hospital

The Kroger Co.’s Fry’s division was recognized with the Heroes of Education Award  
–Rio Salado Community College

The Kroger Co.’s Fry’s division was recognized with the Corporate Leadership Award  
–one•n•ten

The Kroger Co.’s Fry’s division was recognized with the Corporate All-Star Award  
–Assistance League of Phoenix

The Kroger Co.’s Smith’s was recognized as Retailer of the Year  
–Vernal Chamber of Commerce

The Kroger Co.’s Smith’s was recognized as an OUTstanding Corporation in appreciation for their contribution to the LGBTIQ community in Albuquerque  
–ABQ Pride

