Doing Our Part
2008 Sustainability Report
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Letter from the Chairman/CEO

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June 2008
At Kroger we define sustainability as our company’s commitment to continuously improve our environmental and social impact in order to support our communities, improve the lives of our customers and associates, and ensure the long-term success of our business. Sustainability is an integral part of our business. We use a systematic process in each of our core business areas to understand where we have the greatest opportunities. We look broadly at both traditional environmental areas, such as utility and water usage, and also at the social areas, such as supplier diversity and raising $9.1 million for Salvation Army chapters across the U.S. Because we are committed to continuous improvement, you can expect to see change from year to year.

We have already achieved some important milestones in the sustainability area; several are set out in this report. On the environmental front, for example, we’ve reduced our energy consumption company-wide by 22.5 percent since 2000—which is important because grocery stores are intense users of power. On the social front, we are a recognized leader in partnering with food banks to bring hope and food to the hungry. For five of the past seven years, Kroger has been honored as Retailer of the Year by the more than 200 food banks in the America’s Second Harvest network.

This report includes stories about our people and what they are doing to reflect our sustainability commitment in all areas of our business. Of course, there is more to be done. Therefore, in addition to reporting where we are today, we are striving to set clear, business-oriented sustainability goals. We have some of those goals in this report and hold ourselves accountable for annual progress. You can expect an update from us each year.

We are excited about the opportunity to continue to partner with our 320,000 associates, our millions of customers, and our vendor and community partners on environmental and social issues. We will tell you what we are doing, why we do it and what we hope to achieve—in measurable terms as often as possible. We are leaders in some areas and still very much learners in others.

This year we celebrate the 125th anniversary of The Kroger Co. Our company’s longevity is a testimony to our ability to listen to customers and associates, and to continually change with the times and the needs and interests of customers, associates, and society. Sustainability is yet another opportunity for our company to continue that process of listening and changing. We welcome your comments and suggestions at any time. Thank you for the opportunity to serve your family. We look forward to continuing to work together to create a more sustainable present and future.

Sincerely,

David B. Dillon
Chairman of the Board and Chief Executive Officer
This report combines two broad areas of sustainability:

• Environmental impacts—the traditional topics such as waste reduction, energy use and emissions; and

• Social impacts—the other ways in which our company affects the lives of our associates and customers and the communities where we all live and work.

Kroger has long been focused on both environmental stewardship and social responsibility.

We continue to discuss with non-governmental organizations (NGOs) new approaches to reporting our company’s activities and goals so that we can benchmark our efforts with others. We plan to do a comprehensive measurement of our carbon emissions in the next year. Some of our other goals are set out in this report.

There is more to do—and we are fully engaged in continuous learning and improvement. We will primarily focus on those areas—such as waste reduction and energy usage—that are the biggest opportunities for us to make a difference. We also will focus on the things we can do together in partnership with our customers and suppliers, including reducing waste, conserving energy, and supporting local schools and community organizations.

Our Definition of Sustainability:
Kroger’s commitment to continuously improve our environmental and social impact in order to support our communities, improve the lives of our customers and associates, and ensure the long-term success of our business.
Environment
Waste Reduction

Waste—plastic, cardboard, organic—is an important part of our company’s environmental footprint. We are taking numerous approaches to reduce waste. They include:

• Recycling by our associates and our customers:

• Reducing the number of plastic bags customers use by promoting reusable bags;

• Rescuing and donating wholesome but not-for-retail food;

• Partnering with our suppliers and consumer packaged goods companies; and,

• Being a better partner as a food manufacturer.

Recycling by our associates and our customers

• In 2007 Kroger recycled more than 1 billion pounds of corrugated cardboard. That marked a 14 percent increase over the previous year.

• Through Kroger’s Plastic Recycling Program, plastic bags, dry-cleaning bags, and plastic shrink-wrap can now be recycled in all of our stores. Plastic bags are collected and recycled into other products such as plastic landscape bricks, plastic lumber and other plastic bags. This program resulted in 9.1 million pounds of plastic recycled from our stores and distribution centers last year. In 2008, we expect that number to grow to 12 million pounds.

• As a result of the Bag2Bag recycling program in many of our stores, the grocery bags used in some of our retail divisions contain 25 percent recycled content.

• We’re constantly looking for ways to reduce the amount of waste we generate as well. Since 2005 we’ve reduced the amount of office paper we use by more than 91 million sheets. That represents more than 455 tons of paper.
• We are also working hard to divert food waste from landfills. Waste and food scraps from our deli and meat departments are picked up by rendering companies. Several of our divisions, including Fred Meyer, QFC, Ralph’s and Food 4 Less, compost produce that can no longer be sold. Later in this report we describe an important effort to rescue fresh food from our grocery stores.

**Spotlight:** In January 2008 QFC offered a free reusable grocery bag to customers who brought in 10 or more paper or plastic bags for recycling. In just one week QFC collected more than 80,000 bags.

• Our recycling efforts extend to our outdoor advertising as well. Kroger maintains nearly 829,000 square feet of billboards and roughly 242,000 square feet of poster panels. Effective January 1, 2008 we transitioned from PVC-based billboards to Eco-Flexx billboards made from a polyethylene product. Because they are chlorine free, lighter weight and require less fuel to transport, these Eco-Flexx billboards have a 60 percent smaller carbon footprint. In addition, they are completely recyclable. As a result, we will eliminate nearly 68,000 pounds of PVC from the waste stream this year.

Reducing Plastic Bag Usage by Encouraging Reusable Bags
• We’re working to reduce plastic waste by encouraging shoppers to use reusable bags.

We sold 2.5 million reusable bags in 2007 and intend to sell 10 million in 2008.

• We have offered reusable bags for many years and recently asked our customers for their input to improve these types of bags. As a result we introduced our EarthSound bags, which contain some recycled plastic. We also offer a second line of bags with a thermal lining to help preserve frozen and refrigerated foods.

• Kroger uses a web-based training program called Strive for Five that shows new associates how to optimally fill a plastic grocery bag. By placing more items in a bag and avoiding double bagging, we have the potential to dramatically reduce plastic bag usage. Today we average 3.4 items per bag. Our goal is to reach 5 items per bag, which would reduce bag usage by almost 2 billion bags per year.

**Spotlight:** In 2007 Fred Meyer shoppers used a reusable bag at the checkout 2.5 million times more often than they did in 2006.
Rescuing and Donating Wholesome but Not-for-Retail Food

- Last year Kroger donated more than **24 million pounds of food** and other products to more than 85 food banks serving the communities in which we operate. In the past five years we have donated nearly **140 million pounds** of food and groceries, which equates to more than **3 billion meals** that feed a family of four. By 2009 we anticipate donating an additional **30 million pounds of perishable food** items to food banks that are equipped to receive perishable donations. This program enables us to provide fresh, nutritious fruits, vegetables, meat, dairy and deli foods to thousands of hungry people and has the ancillary benefit of diverting food items from landfills nationwide.

Partnering with CPG companies

- We actively seek out partnerships with the Consumer Packaged Goods (CPG) companies that provide many of our national branded items. These partnerships result in reduced product packaging and, importantly, shipping packaging. We are interested in exploring partnerships with any company that can present sustainable options to us.

Leveraging our strength as a food manufacturer

- Kroger is one of the nation’s largest dairy manufacturers. Our dairies, which are located in 15 states, buy local milk and process it in our award-winning plants. Our dairies produce most of the plastic milk bottles they fill. The Dairy Manufacturing team has established a comprehensive program to reduce the weight of our milk bottles and remove about 470,000 pounds of plastic resin from the supply chain without compromising the quality of our milk containers.

- Our Manufacturing and Corporate Brands groups worked together in 2007 to redesign packaging for Kroger’s half-liter water bottles. By using a lighter weight bottle, we have removed more than 1.3 million pounds of plastic resin from the supply chain.

**Goals:**

- Increase reusable bag sales by more than 300% in 2008 to 10 million bags
- Recycle 12 million pounds of shrink wrap and plastic bags
- Donate 30 million pounds of perishable food items to America’s Second Harvest food banks by 2009
- Continue to partner with Kroger manufacturing and suppliers to reduce packaging weight and materials
Energy Conservation

Kroger has worked aggressively in all areas of our business to reduce energy consumption.

Since 2000 we have **reduced overall energy consumption by more than 22%—or 1.6 billion kilowatt hours.** That’s enough electricity to power **every single family home in Denver** for one year. Those 1.6 billion kilowatt hours saved more than 1 million metric tons of greenhouse gas emissions. This has the same helpful environmental impact as:

- Planting more than 290,000 acres of trees; or
- Removing more than 220,000 cars from the roads for one year.

Using 2000 as a base, our stores have a goal of reducing overall energy consumption by 30% by 2010.

To achieve these goals, we’re making investments in new technology and processes as well as partnering with our associates to reduce energy through behavior change.

Technology changes have included lighting retrofits, new motors for our refrigerators and freezers, and control devices in vending machines.

**Spotlight:** Kroger uses heat produced by refrigeration equipment to also heat the air and water in our stores, thus reducing our electrical and gas consumption.

Our SAVE 5 program has helped our 320,000 associates learn ways to reduce energy consumption by turning off lights and equipment, closing doors, monitoring case temperatures and regularly checking equipment for needed maintenance.

**Spotlight:** Our Turkey Hill Dairy, in Lancaster, Pennsylvania, manufactures milk and the popular Turkey Hill Ice Cream. The Dairy recently opened a new landfill gas green energy plant on the property adjacent to their facility. This heat and power plant converts methane gas from two landfills to electricity. The excess heat produces steam that Turkey Hill Dairy utilizes to heat water for a variety of processes including pasteurization and general use. Turkey Hill has diversified their energy resources and, at the same time, reduced diesel fuel use by an estimated 150,000 gallons per year.

**Spotlight:** Last summer stores in our Fry’s Division weren’t quite as bright or as cool. And customers loved it. The initiative was Fry’s way of responding to the local utility’s appeal to businesses to reduce summertime energy consumption. Fry’s “Doing Our Part” program was a success on every level. Not only did it reduce energy consumption and related emissions, shoppers appreciated the efforts and the program saved Fry’s hundreds of thousands of dollars in energy expenses. In January 2008 Fry’s announced it would make “Doing Our Part” a year-round program.
In addition, we are finding new ways to partner with our customers to reduce energy usage. Kroger began selling compact fluorescent lightbulbs (CFLs) in 2002 and our sales have more than doubled since then. In early 2008 we introduced more CFL products for sale in our stores. Our goal is to increase the sales of CFLs by 25% through increased promotions, highlighting our Everyday Living brand, and by working directly with the utility providers in specific markets to provide additional customer discounts.

**Goals:**
- Using 2000 as a base, reduce overall energy consumption in stores by 30% by 2010
- Increase CFL sales by 25%
- Continue to partner with our customers to help them save energy
- Encourage our associates to lower energy usage in our stores, plants, offices and distribution centers
Emissions Reduction

Our fleet of 1,800 tractors and 8,000 trailers\(^1\) make about 2,500 deliveries every day. In 2007 that translated to traveling roughly 295 million miles to our stores and facilities.

We are working to reduce the environmental impact of our fleet by reducing the total number of miles our fleet travels, ensuring our equipment operates at peak performance, and implementing fuel-saving measures. Together these efforts will reduce our mileage by 2% over a three-year period and save more than 1 million gallons of diesel fuel.

For comparison purposes, this is equivalent to:

- Planting 250,000 tree seedlings and allowing them to grow for 10 years; or
- Removing 1,300 cars from the road for one year.

Some of the efforts we are undertaking to achieve this goal are:

- Using a state-of-the-art mapping program to route trucks more efficiently;
- Expanding the usage of multi-temperature trucks to transport frozen, refrigerated or dry goods in one truck;
- Improving the insulation of our refrigerated trucks; and
- Standardizing top speeds and idling protocols.

Offering Consumers a Choice

Spotlight: Clean Fuels Ohio selected Kroger as their Clean Fuels Champion 2007 in appreciation for our leadership in increasing E85 availability in Ohio.

Using E-85 may reduce greenhouse gases and the nation’s dependence on petroleum. Kroger began offering E-85 in May 2006 and is working to make the fuel available to customers who choose to use it. Today, Kroger is one of the nation’s largest vendors of E-85, offering the fuel at 44 Kroger locations in Texas, Ohio, Michigan and Kentucky. This fuel, which can be used in flexible fuel vehicles, is comprised of

1\(^{\text{Of our fleet, Kroger owns approximately 90% of the 8,000 trailers and 60% of the 1,800 tractors used for deliveries.}}\)
15 percent gasoline and 85 percent ethanol, a renewable, domestic fuel. There are roughly 6 million flexible fuel vehicles on the road today and major manufacturers have stated their intent to increase production.

More than 40% of our fuel centers and convenience stores blend some ethanol into regular gasoline to make E10 and other ethanol grades. Like E-85, this blend helps to reduce the cost of fuel and lessen the nation’s dependence on petroleum.

Goal:
• Reduce miles traveled by Kroger’s fleet 2% from base year 2007 in a three-year period
Social
Food Safety

Food safety is Kroger’s top priority. We have well-established, science-based practices in place to ensure that the food items sold in our stores are prepared and handled safely.

Retail Stores
Kroger conducts a bi-monthly food safety review (FSR) audit of each store. These audits are conducted by third-party firms and augment inspections conducted by local health departments and company associates. Last year Kroger conducted 14,759 food safety reviews and followed up on results to resolve any issues that were identified.

Our in-store food safety strategy emphasizes associate training, proper food temperature control, and FSR audit follow-ups.

In 2007 we provided basic food-safety training to nearly 45,300 hourly associates. Associates working in our perishable food departments are required to complete a computer-assisted training module on food safety and to pass tests based on that material.

Store managers must take an eight-hour course in food safety and pass the Certified Food Safety Manager (CFSM) test, a nationally accepted certification requirement. Our co-managers are required to obtain this certification during their training program. Nearly 2,300 store managers and co-managers earned this certification last year.

Temperature is an important component of safe food handling. We maintain temperature logs to ensure all our perishable foods are stored at the proper temperature. We monitor temperatures every four hours for cold foods and every two hours for hot foods. Store managers review temperature logs routinely and during the bi-monthly FSR audit.

We use the information from our own third-party audits and audits conducted by local and state health departments to consistently monitor our store operations. We use this information to understand and correct non-compliance with our own standards and those of governmental agencies. We monitor audit results with the same rigor as financial results.

Kroger’s Food Safety team continues to help develop and maintain programs to address emerging food-safety topics. Our commitment is to be a leader in food safety—and a local store every customer can count on for wholesome, fresh, safe food every day.

Recalls
Products are removed from stores for many reasons. Sometimes it is due to an incorrect label. Other times an incorrect ingredient is added. And on rare occasions a product can be recalled because it may be the source of illness or injury. Kroger follows the industry and government standards for our recalls and product withdrawals. We have a
24-hour, seven-day-a-week process in place to coordinate recalls. We work quickly and effectively to remove from sale products that have been recalled or withdrawn.

Kroger recently began a new customer notification system for certain types of recalls. Using our customer loyalty database, we are able to notify customers via register receipts about recalls of products they may have purchased. We are one of the first retailers to use this personalized communication to customers. We also are experimenting with notifying customers by telephone about recalls.

**Corporate Brands and Manufacturing**

Kroger operates 42 dairies, bakeries and grocery plants around the county. We use the same auditing approach with our plants that we use with our retail grocery stores, combining the data from third party audits and those of regulatory agencies to help us monitor and continuously improve our operations. About half of our Corporate Brands products are manufactured in one of our plants.

We set quality and performance standards for all our Corporate Brands products, whether we make them ourselves or use a third-party supplier. We measure our performance in several ways, including comments we receive on our toll-free phone line and via emails. A standard industry measure of product quality is the number of comments we receive per million units of product we produce. In 2007 our rate of customer comments per million units of product was 8.96. This was an improvement of 1.3% from 2006. Our goal is to reduce the comments per million units of product rate by at least the same percent in 2008.

When Kroger customers have questions, concerns or just need help in planning that special meal, they can call us toll free at 1-800-KROGERS or email us through Kroger.com. We have professional dieticians and home economists on staff, as well as other specially trained representatives who can help Monday through Friday.

**Goals:**
- Reduce comments per million by at least 1.3% in 2008 to a rate of 8.84 comments per million units of product
- Require all suppliers to submit a food safety audit based on the internationally recognized Global Food Safety Initiative (GFSI) standards beginning in 2009
Vendor Standards

In order to work with Kroger, vendors and their contractors in the U.S. and other countries are expected to operate in a manner that respects the rights of people and to abide by our Code of Conduct. This Code requires that they not engage in any labor practices that violate the laws and regulations of the country where the products are manufactured or assembled.

This Code of Conduct, which follows the U.S. Department of Labor regulations and the Fair Labor Standards Act, is an integral part of all Kroger purchase orders and includes the following:

- Child, indentured, involuntary or prison labor must not be used or supported.
- Workers may not be exposed to unreasonably hazardous, unsafe or unhealthy conditions.
- Workers may not be unlawfully discriminated against on the basis of race, color, religion, gender, national origin, age, disability or sexual orientation.
- The workplace must be free from harassment, which includes sexually coercive, threatening, abusive or exploitative conduct or behavior or harassment because of one’s race, color, religion, gender, national origin, age, disability or sexual orientation.
- Workers at all times must be treated fairly, with dignity and respect.
- Wages paid to workers must meet or exceed legal and industry standards.
- All vendor workers performing work within the United States must be legally eligible for employment in the U.S.A. under the U.S Immigration Laws. Vendors must require and review, prior to each non-U.S. citizen employee’s assignment, documentation establishing such eligibility for all vendor workers who perform services for Kroger within the U.S.
- Vendors may not engage in any conduct likely, intending or appearing to improperly influence any Kroger representatives in the performance of their job responsibilities. Bribes, cash payments and business gifts and entertainment of more than token value are expressly prohibited. Vendors must refrain from engaging in any conduct that may appear improper or may result in a conflict of interest when viewed from Kroger’s point of view.
- Vendors and their contractors must maintain written records evidencing compliance with the provisions of this Code of Conduct and must make those records available to Kroger upon request.
Business Ethics

We hold ourselves to the highest ethical standard because we understand that, as a publicly owned company and as providers of food for millions of Americans and their families, we have a special obligation to go beyond simple compliance.

Kroger is committed to dealing in an ethical manner with our customers, suppliers, associates and shareholders. We believe our reputation is something we earn every day and is a direct result of the actions and efforts of our 320,000 associates. Each of us must adhere to the highest moral, ethical and legal standards. We must demonstrate in our dealings with customers, suppliers and each other Kroger’s core values of honesty, respect, integrity, diversity, inclusion and safety. Only by conducting business in this manner can Kroger continue its success.

Kroger’s Business Ethics Policy, which clearly outlines what we expect from our associates, applies to associates and members of Kroger’s Board of Directors.

It can be viewed at http://www.thekrogerco.com/documents/EthicsPolicy.pdf. Copies are shared with associates and are posted to the company’s internal and external web sites.

Corporate Governance

Kroger is committed to upholding high standards of corporate governance as best practices continue to evolve. At the company’s 2006 annual meeting, shareholders approved the elimination of cumulative voting along with the declassification of the board. As a result, directors of the company with terms that expired in 2006 and subsequent years will be elected to one-year terms. Beginning in 2008, all directors will be elected annually.

Safety of Associates

Our 320,000 associates are our most important asset. And keeping them safe is one way we can demonstrate our commitment to them.

Our safety goal is straightforward: Zero accidents.

In 1995 Kroger launched a company-wide safety initiative that has reduced the overall accident rate in our stores, manufacturing plants and warehouses by 42 percent. Last year we continued to make progress toward our ultimate goal of zero accidents. In 2007 697 stores operated without an associate lost-time accident, an improvement of more than 16 percent compared with the previous year. Company-wide our accident rate dropped again in 2007 to 12,512 OSHA (Occupational Safety and Health Association) recordable accidents. We believe these are industry leading results and make us one of the safest places in America to work.

Kroger’s STAR (Stores Targeting Accident Reduction) program engages every associate to work together to achieve safety goals. It is a behavioral-based program that is a key to our sustained and continued reduction in accidents. The STAR website enables divisions to track their progress against pre-determined goals and monitor accident-free days. The information is shared with associates to reinforce the safety mission.

Kroger measures safety with the same regularity as sales and profits. The rewards for giving this issue such close attention are healthier associates, a safer working and shopping environment and less lost time from work due to accidents.

In 2007 two of our manufacturing plants went the entire year without a recordable incident and more than a third went the entire year without a lost time accident. In all, 22 of our 42 plants had one or no lost time accidents.

![Total Combined OSHA Recordable Accidents Graph]

This graph shows all OSHA reportable employee accidents across the organization.

42% Reduction
Spotlight: Last year *Occupational Hazards*, a leading safety, health and loss prevention magazine, named Kroger Manufacturing one of the safest companies in America. Kroger Manufacturing was cited for maintaining lower-than-average injury and illness rates and for actively involving both managers and associates in improving safety practices. In honoring Kroger Manufacturing, the magazine singled out our four principles that guide our safety practices: Nothing is worth getting injured over; all injuries can be prevented; safety will be managed; and safe behavior is a condition for employment for all associates.

Goal:
- Our ultimate safety goal is zero accidents. To ensure that we are striving for continuous improvement in safety, we set goals and metrics each year to reduce our number of accidents.
We strive to be a preferred employer and to offer competitive wages, high-quality healthcare benefits, secure pensions and retirement savings plans for our associates.

Our company’s total compensation package, which includes wages and benefits, is among the best in the retail food industry. It is designed to attract and retain talented associates. Our company-sponsored benefits plan includes health insurance and coverage of prescription drugs, medical, dental, vision, disability and life insurance. Effective January 1, 2008 Kroger extended same and opposite-sex domestic partner benefits to associates covered by our company-sponsored plan.

Kroger began offering Health Savings Accounts (HSAs) to associates covered by the company plan in 2005. The HSAs place a focus on preventive health care, and associates that sign up for the program have 100% of preventive care covered. There are numerous benefits to these plans, and they give associates a variety of options for structuring health care in a way that best suits their individual needs.

More than 85 percent of our associates participate in a Kroger-funded health care plan. In most cases, what associates pay for their health care benefits is well below the national average. In 2007 Kroger spent more than $1 billion to provide health care for our associates and retirees.

Kroger offers a variety of pension and retirement savings plans that enable our associates to build their personal retirement savings with pre-tax dollars. Kroger makes contributions to pension plans for more than 90 percent of our eligible associates. In addition to the money spent to provide health care, the company spent more than $400 million for pension contributions.

A majority of our hourly store associates are represented by labor unions. Kroger makes contributions to multiple Health & Welfare Trust Funds and Pension Trust Funds on behalf of eligible associates covered by union contracts. These benefit trusts are funded entirely by contributions from the company. Company managers and union representatives jointly act as trustees of these funds.

In keeping with our commitment to associate engagement, we implemented a number of programs in 2007 that help associates better manage their health. Our efforts focus on preventive measures:

• We encouraged associates enrolled in the company plan to take an online Health Risk Assessment (HRA) so they can better understand their risk of developing certain health conditions and take preventive measures. In 2008 more than 60 percent of those participating in the company’s medical plan completed the survey, up from 40 percent just two years earlier.

• Kroger is equally committed to promoting our associates’ emotional health. Effective January 1, 2008 we began offering an employee assistance plan (EAP) to all our associates. The program provides telephone and face-to-face support for associates coping with personal and family issues.

• Our Helping Hands program provides financial assistance to help employees in need. It is funded through company and associate donations. In 2007 more than 1,400 associates received assistance through Helping Hands.
Diversity is one of Kroger’s core values. We want our associates at all levels to reflect the diversity of the communities where we live and work. The company is committed to fostering an environment where diversity is appreciated as a source of strength and vitality.

Each of Kroger’s retail divisions has developed strategic partnerships with universities, educational institutions and community partners, such as the University of Kansas Multicultural Scholars Program and the University of Cincinnati Darwin T. Turner Scholars Program to further our efforts to recruit top-quality candidates.

**Spotlight:** Our Dillons Division received the Outstanding Employer of the Older Worker Award in 2007 from the Kansas Department of Commerce.

Kroger provides inclusion training to all management and many hourly associates. Many work locations (stores, plants, divisions) have a culture council. These councils, which are composed of a diverse array of associates, work on projects that reflect our core values of safety, integrity, respect, honesty, diversity, and inclusion. They also provide valuable feedback to management by focusing on ways to include more associate input in business decisions and processes.

### 2007 Kroger Associate Diversity

<table>
<thead>
<tr>
<th>Category</th>
<th>Female</th>
<th>People of Color</th>
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</thead>
<tbody>
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<td>Officials &amp; Managers</td>
<td>39%</td>
<td>20%</td>
</tr>
<tr>
<td>Professionals</td>
<td>54%</td>
<td>19%</td>
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<tr>
<td>Sales Workers</td>
<td>54%</td>
<td>32%</td>
</tr>
<tr>
<td>All Associates</td>
<td>51%</td>
<td>30%</td>
</tr>
</tbody>
</table>
Kroger is equally committed to retaining talented associates and providing career development opportunities to help motivated associates realize their potential and advance in the company. As part of our annual, company-wide successor planning, progress on career development plans for women and people of color are reviewed by our senior management team. Kroger requires managers and department heads to report quarterly on the recruitment and promotion of women and people of color. Today, 39 percent of officials and managers within the company are women and 20 percent are people of color.

**Spotlight:** The Business Leadership Network, a state-wide initiative sponsored by the State of Wyoming’s Division of Vocational Rehabilitation, recognized our Smith’s stores for their diverse workforce.

Kroger’s score on the Corporate Equality Index (CEI) increased 40 points in 2007 to a score of 75. The Human Rights Campaign, which sponsors the CEI, spotlighted Kroger as one of the companies with the greatest improvement. Kroger was recognized for its commitment to overall diversity as a strategic focus area, for naming a chief diversity officer and for extending same and opposite-sex domestic partner benefits to associates covered by our company-sponsored plan.

**Spotlight:** Dave Shull, who manages one of our stores in Athens, Ohio, won the 2007 Trailblazer Award for identifying and utilizing the skills and abilities of workers with disabilities. The store employs five associates with special needs and has been recognized by the Association for Persons in Supported Employment (APSE).
Since the early 1980s Kroger has been actively seeking diversity in our vendor partners. We have minority and women owned companies involved in all areas of our business. We benefit from their unique products, services and perspectives—and our communities benefit from the employment and opportunity these companies provide.

In 2006 and 2007 Kroger spent more than $1 billion annually with minority and women-owned business enterprises (MBEs and WBEs). As a result, Kroger is a member of the Billion Dollar Roundtable, a prestigious forum of 13 corporations that have achieved $1 billion or more in annual spending with M/WBEs. We achieved this goal by partnering with more than 1,650 M/WBE companies.

Kroger joins 12 other corporate Billion Dollar Roundtable members, including The Procter & Gamble Company, Toyota Motor North America Inc. and IBM Corp.
Each of our divisions and buying groups have supplier diversity champions who are committed to ensuring the company’s supplier diversity initiatives and goals are communicated throughout the organization. These champions, who hold a variety of positions throughout the company, provide valuable insight into actions that support continued growth.

Kroger is an active member in the National Minority Supplier Development Council (NMSDC), and all the regional councils where we operate stores. In addition we are members of the Women’s Business Enterprise National Council and its regional affiliates, as well as other similar organizations.

Kroger continues to look for opportunities to partner with a diverse group of suppliers. To learn more about Kroger’s Supplier Diversity program, please visit http://www.thekrogerco.com/supplier/supplierdiversity.htm

Goal:

- Continue to spend $1 billion or more with M/WBEs
Many of our customers choose to shop our stores because of our exclusive, preferred brands. Corporate Brands such as “Private Selection®” “Naturally Preferred®” plus our new “Active Lifestyle®” and “Private Selection Organic™” brands are just some of the brands that our customers and their families enjoy each and every day. They offer quality, value and unique products and are only available at one of the Kroger family of stores.

**Natural and Organic Products**

- Nearly 1,200 of our stores across the country have Natural Foods departments, where customers seeking healthier alternatives can find more than 2,000 items ranging from natural and organic foods, nutritional supplements, body care products, and eco-friendly household products. In addition, customers will find a wide variety of more than 100 certified organic fruit and vegetable items in our produce departments.

- Kroger’s *Naturally Preferred* line is our own brand of premium-quality natural and organic products. More than 300 items, including baby food, pastas, cereal, snacks, milk and soy products and nutritional supplements, are available under the *Naturally Preferred* label. These products are minimally processed, using all natural/organic ingredients, and contain no artificial colors, preservatives or flavors. Many of these products also are organic and contain ingredients that are certified organically grown and free of herbicides and pesticides.

- Our Private Selection Organic items, which we began offering in August 2007, are located alongside non-organic items in the conventional grocery aisle. We offer about 150 products, including organic chicken and meat, salads, milk and shelf-stable products.

- Kroger Manufacturing operates a variety of certified organic processing facilities including Tamarack Farms Dairy in Newark, Ohio. Kenlake Foods in Murray, Kentucky, which produces Kroger nuts, oatmeal, powdered beverage and instant breakfasts, maintains certified organic production lines. Our Hutchinson Dairy in Hutchinson, Kansas, produces ultra-pasteurized (UHT) organic milk and soy milk.

**rBST-free Milk**

For many years, we have asked our milk suppliers to only sell us rBST-free milk. In August 2007 we informed our suppliers that we would make the transition to milk that has been certified by suppliers as being from cows not treated with the artificial hormone rBST. The transition was completed in February 2008.
Active Lifestyles
Our growing line of Kroger brand Active Lifestyle products are designed to provide more than basic nutrition: they help consumers manage and prevent chronic conditions, such as diabetes and heart disease. The Active Lifestyles line currently includes cholesterol-reducing milk; yogurt, yogurt smoothies and chewy bars that promote digestive health; lighter calorie orange juice; high-fiber bread; and powdered drink mixes that offer an array of benefits.

Locally Grown Products
For many years Kroger has worked with farmers and suppliers to bring locally produced goods to our grocery stores. As consumer interest in buying local has increased, we have begun to standardize our program to provide an easy and safe way for store managers and divisions to purchase products from local farmers and small businesses. One of Kroger’s most popular products is local too. Our 17 dairies in 15 states throughout the U.S. produce milk and deliver it fresh to all of our retail stores.

Our Mid-South Division in Kentucky has teamed up with Kentucky Proud, a program sponsored by the Kentucky Department of Agriculture. The program helps local farmers understand how to market their product and get it to retailers in the state. Kroger stores sell more than 55 Kentucky Proud products.

In addition to Kentucky Proud products, stores carry a variety of other locally produced products, such as milk and other dairy products from the Winchester Dairy.

Kroger stores in other states participate in similar programs, including Ohio Proud, Michigan Select, Buy Texas, Virginia’s Finest and Goodness Grows in North Carolina.

Fair Trade
A Fair Trade Certified™ label on a product serves as a guarantee that the item has been grown and produced by farmers and workers who received what is considered by the certifying organization to be a fair price for that product.

Kroger offers more than two dozen Fair Trade Certified products, including different

**Spotlight:** “With four generations in the field, DeVore Farms proudly grows the finest cantaloupes, watermelons and pumpkins. Our partnership with Dillons continues to be important to the longevity of our operations and allows us to share our homegrown produce with families across Kansas, Nebraska and Missouri.” —Russ DeVore, farm manager, DeVore Farms
Spotlight: Ouita Davis knows what a difference Kroger pharmacists can make in a patient’s life. She sees it every day. Our pharmacists are part of their communities. That enables them to play a more integral part in patients’ lives, says Davis, clinical coordinator for Kroger’s Mid-Atlantic Division. By providing Medication Therapy Management services to patients, Kroger pharmacists can help improve medication compliance, reduce the risk of dangerous drug interactions and help improve patient outcomes. “The profession needs to continue to expand the role of community pharmacists,” Davis said. “Kroger is very supportive—from the local stores all the way to the CEO it has allowed the profession to grow. This is a testament to the company.”
and guidance regarding medication storage and usage as well as wellness services. During the most recent flu season, our pharmacists administered nearly 1 million flu shots to customers and associates.

Our $4 generic prescription program is now available in our pharmacies and now includes 90-day prescription supplies for $10. This program has saved customers millions of dollars on the drugs they depend on every day. Please visit www.kroger.com/generic for more information.

**Spotlight:** Our Smith’s in-store pharmacies recently partnered with the Utah Department of Health and other community health leaders to provide reduced-price testing for patients with diabetes.

In addition, we operate walk-in health clinics in more than 40 stores. Our clinics enable shoppers to access care for minor health needs—such as ear aches and sports physicals—from certified nurse practitioners and physician assistants. We plan to expand the number of walk-in health clinics through our partnership with The Little Clinic, Inc.

**Goals:**

- Continue sourcing natural, organic and sustainable products for our customers and their families
- Enhance accessibility to health and wellness programs for our customers and our associates

**Spotlight:** In order to serve customers looking for more information about healthier, Kroger’s registered dieticians and home economists are available to answer questions about nutrition and product information. They can be reached toll-free at (800) KROGERS. We also offer an online Health Guide (http://www.kroger.com/pharmacy.htm).
Kroger has a long tradition of engaging with associates, customers and nonprofits in the communities where we live and work. More than $160 million was contributed in Kroger’s name during 2007, through donations from our customers, associates and the company, both directly and through our foundations.

Spotlight: Our divisions work closely with area food banks. When a tornado cut off power to our store in Douglasville, Ga., the Atlanta Division quickly worked to donate nearly 18,000 pounds of frozen food to the Atlanta Community Food Bank. Since 2004 stores in Atlanta have donated more than 275,000 pounds of meat to the food bank.

Kroger has been bringing food and hope to hungry people for nearly 30 years. In 2007 we were selected “Retailer of the Year” by the food banks of the America’s Second Harvest network. This is the fifth time in seven years that Kroger has received this award. It reflects the long-standing and close working relationship we have with more than 85 local food banks.

Last year our family of stores contributed more than 24 million pounds of food and other products to those food banks serving the local communities where we operate. Those donations, valued at $40 million, represent more than 18 million meals that
feed a family of four. Families across the country receive this assistance through food banks, soup kitchens and emergency pantries.

In addition, in 2007, Kroger partnered with our customers and vendors in nationwide cause marketing programs that **raised more than $3 million in funds and $1 million in food donations** for local food banks.

**Spotlight:** Our Columbus and Michigan Divisions received the Philanthropy Award from the Barbara Ann Karmanos Cancer Institute at the 13th annual Heroes of Breast Cancer Awards ceremony in Detroit.

**Support for Breast Cancer Research**
We are a long-time supporter of breast cancer research, education and services. Thousands of Kroger associates across the country join in the fight—as volunteers and participants at dozens of fundraising events in the communities we serve, including the Susan G. Komen Race for the Cure® events and the American Cancer Society’s Making Strides Against Breast Cancer® program. In addition, two company-wide promotions in 2007 raised **$5 million to assist breast cancer awareness, treatment and research programs** serving Kroger communities.

**Spotlight:** Sixteen associates from our King Soopers and City Market stores hiked 14,000 feet to the top of Pike’s Peak to raise more than $5,500 for the Brain Injury Association of Colorado.

**Community Causes—Neighbor to Neighbor Programs**
Our sales-based community fundraising programs enable shoppers to decide which causes Kroger should support. Using either a shopper card or a specially-designated gift card, shoppers are able to credit their sales to an eligible nonprofit organization. Kroger then donates back a portion of the sales tracked to that organization. In 2007 **Kroger donated more than $33 million to schools and non-profit organizations** registered with the program. The program has grown steadily in recent years and in 2007 supported nearly 30,000 local organizations across the U.S.

**Dollars for Doers**
Kroger values everything our associates do to make our hometowns better places to live and work. **Dollars for Doers**, a new program of The Kroger Co. Foundation, lets

**Spotlight:** In 2007 the Delta Division partnered with Baptists Hospital Systems and conducted 47 mobile mammography events at Memphis-area stores. This service, which the division continues to offer, provides screenings for women who might not otherwise have access to mammography and is part of the Kroger’s commitment to fighting breast cancer.
our associates turn their valuable volunteer time into small grants from the Foundation to the community organizations that matter to them.

When an associate donates 52 hours of service in a calendar year to an eligible charitable organization—just an hour per week of his or her own time—the Kroger Co. Foundation will contribute $100 to the organization on that associate’s behalf.

**Spotlight:** Kroger’s Southwest Division has teamed up with Keep Texas Beautiful for several clean-up events, including projects to clean up the Katy Trail and Trinity River in Dallas, Texas. The Division likewise sponsored the 2008 Houston Earth Day Festival.

**Perishable Donation Partnership**
Kroger’s Perishable Donations Partnership is a company-wide project that will increase the number of stores in the Kroger family that donate safe, perishable food to America’s Second Harvest food banks, which have the capacity to safely handle and distribute fresh food. The Perishable Donation Partnership has the potential to grow to more than 30 million pounds of food annually, representing millions of additional meals for hungry families.

**Spotlight:** Our Smith’s Division recently launched [www.smithscommunity.com](http://www.smithscommunity.com), which reports the Division’s charitable giving during 2007. Customers can see detailed information regarding Smith’s charitable giving in seven states.

**Salvation Army Red Kettle Program**
Customers and associates of The Kroger Co. and its family of stores contributed $9.4 million to support The Salvation Army’s annual Red Kettle campaign during the 2007-2008 holiday season. This total represents a 16 percent increase over the $8.1 million raised in 2006 and it contributed to the record $118 million raised by the Salvation Army overall. The Salvation Army uses funds raised through the Red Kettle campaign to provide assistance to more than 29 million people in 5,000 communities across the country. All donations stay in the community in which they were given.

**Spotlight:** At Kroger, we believe in supporting the causes that are most important to shoppers in the communities we serve. That’s why our Ralphs and Food4Less Divisions, which operate stores in Southern California, have partnered with the Mayor of Los Angeles in the Million Trees L.A. initiative. These Divisions have pledged a significant donation over the next five years to the program, which seeks to reduce pollution and energy consumption by planting 1 million trees throughout the city over the next several years.
**Community Service Awards**

Each year, Kroger recognizes some of our Associates who make outstanding contributions in their communities. We congratulate the winners of The Kroger Co. Community Service Award for 2007.

Phil Cagney, Atlanta  
Robert Worley, Central  
Johnny Vilardo, Cincinnati  
Jim Worthington, City Market  
Minnie Rice, Delta  
Karen Gruber, Dillon Stores  
Glenda Gammie, Fred Meyer  
Stephen Nathenson, Fry’s  
Stacy Walker, Columbus  
Dan Bostwick, Michigan  
Lisa Napier, Jay C Stores  
Amanda Pehr, King Soopers  
Fredrick Todd Mounts, Mid-Atlantic  
Ahmed Konteh, Mid-South  
Patrick Sloan, QFC  
Paul C. Lee, Ralphs  
Denise Barnes, Food 4 Less/Foods Co  
Janet Hampton and Joanna McHugh, Smith’s  
Thomas Truver, Southwest  
Christina Baker, Pace Dairy of Indiana  
Jose Calderon, Jackson Ice Cream - Denver  
Kenneth Stegemoeller, Springdale Ice Cream and Beverage  
Nancy Milner, Clackamas Bakery  
Information Systems Group, Brighton Center Angels, General Office
Family Meals

When families eat together, they do more than just refuel. They sit together, laugh together and share stories about their day. Research shows that the more often children have dinner with their family, the less likely they are to smoke, drink or use illegal drugs. Because healthy children are so important to all of us, Kroger takes a leadership role in encouraging families to set aside time to enjoy a meal together as often as possible.

Research has also found that teens who eat more regularly with their families are more successful in school, have lower stress and are more likely to confide in their parents.

As a Family Day sponsor, Kroger takes a leadership role in encouraging families to set aside time to enjoy a meal together as often as possible.
The humane treatment of animals from farm to table is important to Kroger and our customers. Kroger has provided retail grocery industry leadership on this topic. In 2001, Kroger began working with the Food Marketing Institute (FMI) and the National Council of Chain Restaurants (NCCR) to develop an industry-wide program that would introduce science-based guidelines to strengthen animal welfare practices across species. This Council includes leading animal welfare scientists and doctors, other retailers, and representatives of the supplier community, who work together to understand science-based best practices and increase their implementation.

We require our suppliers to meet or exceed the FMI Animal Welfare standards. Kroger does not operate any farms or animal processing facilities.

We monitor the compliance of our suppliers with the FMI Animal Welfare standards through independent third party audit reports supplied to us by our vendors. Those audits are reviewed by Kroger’s Regulatory Compliance Team and are discussed with vendors when scores are below acceptable norms. We continue to push for the vendor community to embrace new best practices in animal welfare. Kroger is taking an active role in facilitating an industry approach to producing sustainable and comprehensive improvements in animal welfare standards.

While there are many aspects to animal welfare, two have been highlighted recently: cage free eggs and a processing method for poultry known as CAS, or Controlled Atmosphere Stunning. We are committed to increasing our sales of cage-free eggs based on two factors: customer demand and available supply. In almost all of our stores we offer a variety of cage-free egg products, including our own Naturally Preferred and Private Selection brands. Cage free eggs made up just under 4% of our total sales in the category. In 2007 we successfully worked with one of our suppliers to increase the number of cage-free houses in their operation and dedicate the output to Kroger.

Our suppliers have told us they continue to evaluate CAS for poultry. These evaluations consider a number of factors, including animal welfare, scientific research, food and worker safety and environmental factors. The FMI Animal Welfare Council recently concluded that while CAS techniques for poultry have improved, there are still a number of unresolved animal welfare issues that will require additional peer-reviewed scientific research. Neutral scientific experts tell us that both CAS and conventional methods can be equally humane when done properly. And both can be inhumane if not done properly.

We currently purchase poultry from two suppliers that are using CAS. There is a limited supply of the product nationally and as it grows we will continue to evaluate our purchasing decisions accordingly.
## Kroger Short-Term Sustainability Goals

<table>
<thead>
<tr>
<th>Category</th>
<th>Change &amp; Goal</th>
<th>Impact</th>
<th>Comparison</th>
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<tbody>
<tr>
<td><strong>Energy</strong></td>
<td>Using 2000 as a base, reduce overall energy consumption in stores by 30% by 2010</td>
<td>1.85 billion kilowatt hours avoided cumulatively since 2000</td>
<td>Electricity to power more than 150,000 homes for one year</td>
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<tr>
<td><strong>Energy</strong></td>
<td>Increase CFL sales by 25% in 2007</td>
<td>Each CFL saves $30 in electricity costs over the lifetime of the bulb</td>
<td>If every American switched one conventional lightbulb to a CFL, it would save enough electricity to light more than 3 million homes for a year</td>
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<td><strong>Emissions</strong></td>
<td>2% reduction in miles traveled by 2010 (2007 as base year)</td>
<td>Reduction of 1 million gallons of diesel fuel</td>
<td>Removing 1,300 cars from the road for one year</td>
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<td><strong>Waste</strong></td>
<td>Recycle 12 million pounds of plastic per year</td>
<td>Combination of approximately 250 million plastic bags and 9 million pounds of additional plastic</td>
<td>Carbon emissions from 5,800 barrels of oil consumed</td>
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<tr>
<td><strong>Waste</strong></td>
<td>Sell 10 million reusable bags per year</td>
<td>If used four times, reduction of 40 million plastic bags per year</td>
<td>Carbon emissions from 11,000 gallons of gasoline</td>
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<tr>
<td><strong>Waste</strong></td>
<td>Recycle more than 1 billion pounds of cardboard per year</td>
<td>1 billion pounds of cardboard removed from landfills each year</td>
<td>Removing 77,000 cars from the road for one year</td>
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<tr>
<td><strong>Waste</strong></td>
<td>Donate 30 million pounds of perishable food items to America’s Second Harvest food banks by 2009</td>
<td>Providing more than 23 million meals that can feed a family of four</td>
<td></td>
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<tr>
<td><strong>Kroger Manufactured Product Quality</strong></td>
<td>Reduce comments per million units of product by 1.6% in 2008 to a rate of 8.84.</td>
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<tr>
<td><strong>Safety of Associates</strong></td>
<td>Continue to work toward zero accident goal.</td>
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