# Vote Bulletin: The Kroger Co.

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<th>Company</th>
<th>The Kroger Co. (NYSE: KR)</th>
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<td>United States/Consumer Staples</td>
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<td>Meeting Date</td>
<td>24 June 2021</td>
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<td>Key Resolutions¹</td>
<td>Item 4: Assess Environmental Impact of Non-Recyclable Packaging (Shareholder proposal)</td>
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<td>Key Topics</td>
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<td>BlackRock voted FOR this shareholder proposal because we believe it could accelerate Kroger’s progress on addressing the use of plastic packaging in its operations</td>
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## Overview

The Kroger Co. (Kroger) operates retail establishments across the U.S. and is currently one of the largest grocery retailers in North America.

BlackRock Investment Stewardship (BIS) has an established history of engagement with Kroger around corporate governance and sustainability issues that impact long-term value creation. Over the last year, we have engaged with the company regarding its COVID-19 response, human capital management, diversity, equity, and inclusion (DEI), board refreshment, executive compensation, sustainability efforts and reporting. Most recently, BIS engaged with the company in advance of its Annual Meeting of Shareholders to discuss its sustainability efforts and plans to enhance reporting.

As detailed in our [commentary on natural capital](#), BIS believes that how a company manages material environmental, social and governance factors can be a signal of operational excellence and management quality. For companies whose business models have material dependencies or impacts on “natural capital” – the supply of the world’s natural resources from which economic value and benefits can be derived – the management of these factors can be a defining feature in their ability to generate long-term, sustainable value for shareholders.

BIS is increasingly engaging on plastic pollution, which threatens food safety and quality,² human health, and coastal tourism, and contributes to climate change, among other negative environmental impacts. Companies that do not adequately address the sourcing and use of plastic products in their operations face regulatory and reputational risks to their business. Through our engagement, we seek to understand: 1. How companies are accelerating efforts related to recycling and reuse of plastic products in consideration of a circular economy. 2. Practices that have been put in place to limit the use of plastic packaging where possible. 3. Efforts and investments around research and innovation to develop new products such as biodegradable plastics to replace traditional plastic products.

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¹ Kroger, “Notice of 2021 Annual Meeting and 2021 Proxy Statement”.
single-use plastics. 4. Targets established to limit runoff and waste and to support efforts to clean up existing plastics pollution.

**Rationale for BlackRock’s Vote**

**Item 4: Report to assess the environmental impact of company use of non-recyclable packaging (FOR)**

BIS voted for this shareholder proposal because we agree with its intent to address the business risk of plastic packaging and determined that support for it could accelerate Kroger’s progress on this issue.

The shareholder proposal requests that the board of directors “issue a report by December 2021 on plastic packaging, estimating the amount of plastics released to the environment by [Kroger’s] use of plastic packaging, from the manufacture of plastic source materials, through disposal or recycling, and describing any company strategies or goals to reduce the use of plastic packaging to reduce these impacts.”

Kroger has been responsive to stakeholders with respect to enhancing its sustainability efforts and disclosure, particularly in relation to recyclable and/or reusable packaging. In recognition of evolving expectations, in 2019 Kroger became the exclusive U.S. grocery retail partner for Loop, an innovative circular packaging platform that aligns with Kroger’s zero-waste vision by reducing single-use plastics in the environment. The company is working with its partners and “Our Brands” team to pilot this new packaging system in select Kroger-operated stores in 2021.

In 2020, Kroger also launched new 2030 Sustainable Packaging Goals for all “Our Brands” products, with the objective of reducing packaging pollution, improving end-of-life management for packaging, and driving demand for recycling through their material choices and customer engagement. These goals build on its 2020 Sustainability Goals. For all “Our Brands” products, Kroger will:

- Complete a baseline product packaging footprint to fully understand current packaging impacts
- Seek to achieve 100% recyclable, compostable and/or reusable packaging for “Our Brands” products
- Increase recycled content in packaging so that the Kroger “Our Brands” products portfolio collectively contains at least 10% recycled content in packaging
- Reduce unnecessary packaging
- Increase awareness among Kroger customers about how to properly manage “Our Brands” product packaging at end of life

BIS acknowledges the efforts Kroger has made to address its exposure to natural capital–related risks, specifically in connection to the packaging of its “Our Brands” products. However, while the company has committed to establishing 2030 goals and provided intentions to reduce the non-recyclable packaging for its “Our Brands” offerings, it has yet to finalize its 2030 strategy details and lags some of its peers that have made more robust commitments to reduce the overall use of plastic in both their operations and supply chain. As a result, we believe that supporting this proposal could accelerate Kroger’s progress on improving its packaging and waste management.

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4 Kroger, “Kroger and Loop”.
7 Kroger, “2020 Environmental, Social, Governance Report”.
8 Kroger, “Sustainable Packaging Goals”.
About BlackRock Investment Stewardship (BIS)

BlackRock Investment Stewardship (BIS) plays a key role in our fiduciary approach. As an essential component of our responsibility to our clients, we engage with companies to advocate for the sound corporate governance and business practices that drive the sustainable, long-term financial returns that enable our clients to meet their investing goals.

Our approach is from the perspective of long-term, minority shareholders in public companies on behalf of our clients. We look to boards and executive management to serve the interests of long-term shareholders and other stakeholders. Our active and ongoing dialogue with the leaders of these companies gives us a valuable perspective on their long-term strategies, financial performance, and the business challenges they face.

As stewards of our clients’ assets we have a responsibility to make sure companies are adequately managing and disclosing environmental, social and governance (ESG) risks and opportunities that can impact their ability to generate long-term financial performance — and to hold them accountable if they are not. Engaging with companies is how BIS builds an understanding of a company’s approach to governance and sustainable business practices, how we communicate our views, and how we ensure companies understand our expectations. If a company falls short of our expectations and we have been given the authority to vote the company’s shares, we would hold them accountable by voting in the best long-term economic interests of those clients that have given us proxy voting authority. As detailed in our Global Principles, proxy voting involves logistical issues which can affect BlackRock’s ability to vote such proxies, as well as the desirability of voting such proxies. As a consequence, BlackRock votes proxies on a “best-efforts” basis.

We are committed to transparency in our stewardship practices. Our vote bulletins provide detailed explanations of key votes relating to a range of business issues including ESG matters that we consider, based on our Global Principles, market-level voting guidelines, and engagement priorities, material to a company’s sustainable long-term financial performance. We publish select vote bulletins after the shareholder meeting to provide transparency for clients and other stakeholders into our approach to the votes that we believe require more detailed explanation.

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