

Whereas: The Kroger Co. (Kroger) utilizes beef, soy, palm oil, and pulp/paper in its business. These commodities are among the leading drivers of deforestation globally.

Deforestation accounts for over 10 percent of global greenhouse gas emissions, including from slash-and-burn agriculture, and contributes to the loss of global carbon storage capacity. Curbing deforestation is seen as one of the most cost-effective options for significantly reducing greenhouse gas emissions and the negative impacts of changing climates. Commercial agriculture drives two-thirds of tropical deforestation.

Companies that do not adequately address and mitigate exposure to deforestation in supply chains are vulnerable to reputational damage. In addition to climate impacts, deforestation contributes to biodiversity loss, soil erosion, disrupted rainfall patterns, community land conflicts, and forced labor. The issue of deforestation has attracted significant negative attention from civil society, business, government, and major media outlets, including *The New York Times* and *Bloomberg*.

In light of shifting market expectations for the sustainable production of commodities linked to deforestation, over 450 companies, including industry peers, have committed to eliminate deforestation within their supply chains. Walmart, Tesco, and Carrefour have 2020 zero net deforestation commitments that cover the four leading commodity drivers of deforestation. Target and Aldi have sustainable fiber-based packaging commitments time-bound to 2022 and 2020, respectively. Lidl continues to expand its Sustainable Soy Policy.

By contrast, Kroger's approach to managing deforestation risk is incomplete. The Company lacks adequate disclosure of progress, such as providing metrics on the full range of its forest-risk commodities, and an environmental compliance program for their suppliers. Kroger ranked higher risk than both Target and Ahold Delhaize by SCRIPT, a platform used by financial institutions to analyze soft commodity risk exposure. Kroger scored 2 out of 5 for its overall forest policy in the Forest 500 2017 company scorecard, compared to Walmart and Carrefour which each received 5. Unlike Tesco, Ahold Delhaize, and Walmart, Kroger has neither signed the New York Declaration on Forests nor supported the Cerrado Manifesto.

In failing to keep pace with industry peers, the proponent believes Kroger's limited efforts to manage deforestation risk expose the company to significant business risks including supply chain disruption, damage to its brand value, loss of goodwill, and failure to meet shifting consumer and market expectations.

Resolved: Shareholders request that Kroger issue a report to investors by December 31, 2019 and updated annually, at reasonable expense and excluding proprietary information, integrating quantitative metrics on its supply chain impacts on deforestation, including progress on any time-bound goals for reducing such impacts.

Supporting Statement: Proponents believe meaningful indicators in such reports could include, for instance:

- Commodity-specific, time-bound goals for reducing or eliminating deforestation linked to Kroger-owned brand products;
- Identifying any sustainability certification standards the company is using for major forest risk commodities (including palm oil, soy, cattle, beef, and paper/pulp) and disclose the percentage of commodities and suppliers attaining those certifications;
- Strengthen supplier non-compliance protocols to include deforestation-related policy violations; and
- Any reporting conducted through CDP Forests or similar platforms.