

The Kroger Company

Human Rights Risk Assessment - 2017

RESOLVED, that shareholders of The Kroger Company (“Kroger”) urge the Board of Directors to report to shareholders, at reasonable cost and omitting proprietary information, on Kroger’s process for identifying and analyzing potential and actual human rights risks of Kroger’s operations and supply chain (referred to herein as a “human rights risk assessment”) addressing the following:

- Human rights principles used to frame the assessment
- Frequency of assessment
- Methodology used to track and measure performance
- Nature and extent of consultation with relevant stakeholders in connection with the assessment
- How the results of the assessment are incorporated into company policies and decision making

The report should be made available to shareholders on Kroger’s website no later than October 31, 2017.

Supporting Statement

There is increasing recognition that company risks related to human rights violations, such as litigation, reputational damage, and project delays and disruptions, can adversely affect shareholder value.

Kroger, like many other companies, has adopted a supplier code of conduct (See The Kroger Company Standard Vendor Agreement) but has yet to publish a company-wide Human Rights Policy, addressing human rights issues and a separate human rights code that applies to its suppliers. Adoption of these principles would be an important first step in effectively managing human rights risks. Companies must then assess risks to shareholder value of human rights practices in their operations and supply chains to translate principles into protective practices.

The importance of human rights risk assessment is reflected in the United Nations Guiding Principles on Business and Human Rights (the “Ruggie Principles”) approved by the UN Human Rights Council in 2011. The Ruggie Principles urge that “business enterprises should carry out human rights due diligence ... assessing actual and potential human rights impacts, integrating and acting upon the findings, tracking responses, and communicating how impacts are addressed.” (<http://www.business-humanrights.org/media/documents/ruggie/ruggie-guiding-principles-21-mar-2011.pdf>)

Kroger’s business exposes it to significant human rights risks. While over 90% of Kroger’s business is food its vendor Code of Conduct is based heavily on compliance with the law, and U.S. agricultural workers are excluded from many labor laws that apply to other U.S. workers. The company’s supply chain is complex and global and violations of human rights in Kroger’s supply chain can lead to negative publicity, public protests, and a loss of consumer confidence that can have a negative impact on shareholder value.

A proactive Human Rights Risk Assessment regimen has the potential to prevent Kroger from being implicated in the exploitation of workers such as occurred when Kroger supplier Tomato Thyme was assessed a civil fine of \$1.4 million by the U.S. Department of Labor for violations of the Fair Labor Standards Act, Migrant and Seasonal Agricultural Worker Protection Act and H-2A temporary agricultural program.

We urge shareholders to vote for this proposal.