

**NAME OF REGISTERANT: THE KROGER COMPANY**  
**NAME OF PERSON RELYING ON EXEMPTION: FRIENDS FIDUCIARY CORPORATION**  
**ADDRESS OF PERSON RELYING ON EXEMPTION: 1700 MARKET STREET, SUITE 1535,**  
**PHILADELPHIA, PA 19103**

June 2, 2026

To Kroger Stockholders:

Friends Fiduciary Corporation seeks your support for **Item No. 5** at Kroger's annual stockholder meeting on **June 25, 2026**.

Resolved: Shareholders request that The Kroger Co. ("Kroger") issue a report, above and beyond existing disclosures, describing whether and, if so, how it will increase the scale and pace of its GHG emissions reduction efforts. The report should be updated annually, prepared at reasonable expense, and omit proprietary information.

**Rationale to vote FOR the Proposal  
and Rebuttal to Company's Opposition Statement**

**Summary of Rationale:**

- **Climate change significantly impacts food retailer operations and supply chains.**
- **Kroger has not disclosed quantitative reduction pathways needed to meet existing Scope 1 and 2 targets and does not report on any efforts to reduce Scope 3 emissions, which make up a significant amount of Kroger's total carbon emissions.**
- **Kroger lags peers that are providing greater disclosures on strategies to reduce emissions, including Scope 3 emissions.**
- **Climate change poses an undiversifiable, unhedgeable risk for diversified investors and Kroger's diversified shareholders may be impacted by the company's contribution to climate change.**
- **The proposal request is flexible and would not be overly burdensome.**

Friends Fiduciary Corporation has been engaging Kroger for over five years on the company's approach and strategy to reduce its carbon emissions. In that time, we've continued to request increased detail in Kroger's reporting to better understand Kroger's climate resiliency planning. Yet Kroger has not meaningfully increased detail around its strategy and planning to reduce its greenhouse gas emissions.

**Climate change significantly impacts food retailer operations and supply chains**

Food retailers rely on agricultural supply chains for the raw materials that go into the products sold in stores. Climate change is increasing the likelihood of extreme weather events, creating significant concerns around agricultural supply chain disruptions that will impact food retailers' bottom line.

Kroger recognizes the business risks of climate change: “both physical risks...and transition risks...which are expected to be widespread and unpredictable,” affecting the company’s operations and supply chain. Managing greenhouse gas emissions is part of Kroger’s responsible business strategy and the company acknowledges the need to prepare for and manage a “variety of risk scenarios, including natural disasters and business disruptions to our supply chain.”<sup>1</sup>

Kroger’s disclosures, however, lack the detail necessary for investors to understand what efforts the Company is taking to reduce its full supply chain emissions, mitigate its largest climate impacts and secure supply chain resiliency. Providing greater detail on strategies to reduce greenhouse gas emissions would add credibility to Kroger’s statements around its greenhouse gas emissions reduction strategy and provide investors with the assurance needed that Kroger is mitigating supply chain risk.

**Kroger has not disclosed quantitative reduction pathways needed to meet existing Scope 1 and 2 targets and does not report on any efforts to reduce Scope 3 emissions, which make up a significant amount of Kroger’s total carbon emissions**

Kroger set targets in 2020 to reduce its absolute scope 1 and 2 emissions 30% by 2030 through the Science-Based Targets Initiative, however the company chose not to resubmit their targets for alignment with updated SBTi guidance to hold global warming to below 1.5 degrees Celsius (the degree needed in order to avoid the most damaging effects of climate change).

Kroger has a Greenhouse Gas Reduction Goal Roadmap, but this reporting has not been updated since February 2023 and does not include quantitative, forward-looking actions aligned with strategic business planning and capital expenditures to assure investors that Kroger has the proper planning in place to reach its targets. While the roadmap mentions different areas Kroger anticipates will reduce its scope 1 and 2 emissions, without greater quantitative detail on efforts underway and anticipated reductions from these efforts, the effectiveness of these pathways is unclear to investors. While Kroger reports a reduction in scope 1 and 2 emissions of 14.9% in 2024, the reported reductions have changed +/- 2% - 3% over the last 3 years. It therefore remains unclear if the company will be able to meet its target of 30% emissions reductions by 2030. It is also unclear to investors how these efforts are embedded in the company’s business strategy and capital expenditures, making it difficult to confirm proper planning on reduction projects or pathways that may or may not be allocated capital.

The Greenhouse Gas Reduction Roadmap also does not address Kroger’s strategy to reduce its scope 3 emissions, despite Kroger’s reporting indicating these emissions make up over 93% of the company’s total carbon emissions. Of particular concern are the significant percentage of scope 3 emissions derived from upstream category 1 purchased goods and services (55.1% of scope 3) and downstream category 11 use of sold products (37% of scope 3).

Category 1 (purchased goods and services) emissions are associated with agricultural production of the raw materials necessary for Kroger’s products, including its private label brands. These agricultural raw materials can be particularly susceptible to climate change, while also

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<sup>1</sup> <https://www.sec.gov/ix?doc=/Archives/edgar/data/0000056873/000110465926037723/kr-20260131x10k.htm>

contributing to climate change. Developing a strategy to reduce these emissions could boost supply chain resiliency.

Action plans to reduce these emissions would mitigate the physical and transition risk that Kroger acknowledges are relevant to its business strategy and that its peers are already undertaking. While Kroger notes uncertainty around measuring and reporting on scope 3 emissions in its opposition statement, the evolution of accounting methodologies need not be an obstacle to setting a course of action. Kroger can and should be taking action now to mitigate risk and build resilience. That is what this flexible proposal requests.

### **Kroger lags peers that are providing greater disclosures on strategies to reduce emissions, including Scope 3 emissions**

There are a number of ways Kroger's peers provide greater information to investors on value chain emission reduction efforts. Albertsons reports a goal to reduce its downstream emissions from use of sold products by 27% and engagement with its top suppliers to set science-based targets by 2026.<sup>2</sup> Costco has also reported greater detail on scope 3 emissions reductions, partnering with suppliers to engage them on tracking and reducing emissions, and reporting a goal to reduce emissions intensity in Costco's supply chain by 20% by 2030, as well as developing a separate fuel transition plan for the company's fuel business.<sup>3</sup> Walmart also provides more information on their emission reduction strategies, including engaging suppliers to pursue projects having measurable reduction on GHG emissions anywhere in their supply chain.<sup>4</sup> Ahold Delhaize has set both near-term and long-term reduction targets for its absolute scope 3 emissions.<sup>5</sup>

In contrast, Kroger has yet to indicate any efforts to reduce scope 3 emissions and does not have a strategy to engage its suppliers on setting targets and reducing emissions in their supply chains. In its opposition statement, the company argues that "advances in climate impact measurement are needed before Kroger can more accurately report scope 3 emissions or develop roadmaps for reducing them," also noting a "lack of direct control over upstream and downstream impacts." But Kroger is already reporting its scope 3 emissions estimates, with peers going further by setting targets or developing strategies around how to reduce these emissions, including through upstream engagement with suppliers. Peer performance and Kroger's own reporting on scope 3 emissions shows that scope 3 reductions are within Kroger's control.

As a first step, Kroger could address its private label 'Our Brands,' which make up over 20% of Kroger's annual sales, with more than 30% being manufactured by Kroger. The company has direct control over this manufacturing and assumes the risk of its direct supply of products, much like a consumer packaged goods company, for which scope 3 emissions reductions and mitigation plans are common practice. As Kroger has already measured and reported its scope 3

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<sup>2</sup> [https://s29.q4cdn.com/239956855/files/doc\\_downloads/2025/12/RecipeForChangeReport2025.pdf](https://s29.q4cdn.com/239956855/files/doc_downloads/2025/12/RecipeForChangeReport2025.pdf)

<sup>3</sup> <https://www.costco.com/ff/-/climate-energy>

<sup>4</sup> <https://corporate.walmart.com/content/dam/corporate/documents/esgreport/2025/FY2025-Walmart-ESG-Report.pdf?cid=esgreport>

<sup>5</sup> <https://newsroom.aholddelhaize.com/ahold-delhaizes-near-term-and-long-term-climate-targets-validated-by-the-science-based-targets-initiative-sbti/>

emissions, an imperative next step is to provide greater detail around how the company will manage these emissions to keep pace with peers.

**Climate change poses an undiversifiable, unhedgeable risk for diversified investors and Kroger’s diversified shareholders may be impacted by the company’s contribution to climate change.**

Addressing Kroger’s greenhouse gas emissions will allow the company to participate in global efforts to mitigate its potential impact on the growing risks from climate change – widely considered a macroeconomic threat<sup>6,7</sup> that has the potential to erode long-term returns for diversified investors. A recent report calculated that we face a 50% global GDP loss as early as 2070 if we do not address the growing concentration of greenhouse gas in the atmosphere.<sup>8</sup> Given that the growth and stability of the economy is a key driver of long-term portfolio returns for diversified investors,<sup>9</sup> climate change is an important consideration for such investors, separate and apart from its impact on individual company performance.

Providing additional disclosure on Kroger’s greenhouse gas reduction plans may be valuable to universal owners for whom climate change represents systemic, unhedgeable and undiversifiable risk. Therefore, climate change may present a material investment risk beyond its direct impact on Kroger, adding impetus for the company to act in ways that benefit its shareholders including by providing greater visibility into its climate risk mitigation activities.

**The proposal request is flexible and would not be overly burdensome**

We’ve appreciated Kroger’s continued willingness to meet with investors. We also recognize that Kroger was pursuing a merger with another prominent food retailer during some of our years of engagement, resulting in uncertainty around updating their climate strategy reporting and delaying forward progress. But as of December 2024, the merger was officially terminated, meaning Kroger now has work to do to catch up to peers in its risk mitigation strategies and action, along with associated disclosures.

In its opposition statement the company argues that it is not “feasible or financially prudent for Kroger to develop additional reports related to scope 3 emissions at this time.” However, as we’ve shared with the company in dialogue, the proposal requests additional disclosures on how Kroger will increase the scale and pace of its greenhouse gas emissions reduction efforts, information that could be included in any upcoming sustainability reporting. As long-term investors we are not requiring an additional report or a target, but are rather seeking any additional information Kroger can share on its strategy to continue progress towards its scope 1 and 2 targets, as well as any efforts by Kroger to reduce its scope 3 emissions. While discussing withdrawal criteria, shareholders remained flexible as to the outcome, which could simply include increased disclosure of work the company has already done. For example, the company

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<sup>6</sup> <https://link.springer.com/article/10.1007/s10640-023-00831-0>

<sup>7</sup> <https://oecdecoscope.blog/2025/09/08/new-oecd-long-run-scenarios-focus-on-the-trade-off-between-carbon-mitigation-and-climate-damage/>

<sup>8</sup> <https://actuaries.org.uk/news-and-media-releases/news-articles/2025/jan/16-jan-25-planetary-solvency-finding-our-balance-with-nature/>

<sup>9</sup> [https://www.unepfi.org/psi/wp-content/uploads/2012/06/universal\\_ownership\\_full.pdf](https://www.unepfi.org/psi/wp-content/uploads/2012/06/universal_ownership_full.pdf)

could disclose details on the methodology, results, and mitigation plans of its recently completed climate risk assessment for direct operations and supply chain. Providing additional disclosure on work already completed, within Kroger's existing sustainability reporting, would not be overly burdensome.

As long term and diversified investors we rely on a stable economy to ensure the long-term value of the companies we hold. As climate change continues to impact company operations and supply chain resilience across industries, we're seeking for Kroger to demonstrate its own planning and strategy to reduce emissions and avoid supply chain disruptions, supporting investors' long-term portfolio returns by joining the effort to address the systemic threat of climate change.