25-Jun-2020

The Kroger Co. (KR)

Annual General Meeting
Good morning and welcome. It is my privilege to call to order Kroger's 2020 Annual Meeting of Shareholders. Thank you for joining us today. I hope this event finds you well and safe during the pandemic. Today's live webcast of our annual meeting helps us to better engage our shareholders by making it available to you wherever you are located.

Before we get into the business of the meeting, I'd like to go through the mechanics of our first virtual shareholder meeting. If you would like to submit a question during the meeting you may do so by typing your question in the box located at the bottom left corner of the webcast screen. Please limit to one question per shareholder. We have also pre-collected questions through this platform. We'll respond to those questions in the Q&A portion later in the meeting.

Additionally, if you've not already voted your shares you may do so by clicking on the Vote Here button at the bottom right of the webcast screen. Voting will remain open until the conclusion of my business report remarks. Our first order of business I appoint Lee Cassiere, our Vice President of Internal Auditor as inspector of election. Lee, do you have a report?

Yes, I do. On April 27, 2020, the record date of this meeting, there were 786,187,556 common shares par value of $1 per share issued and outstanding. Each share is entitled to one vote on each matter submitted to the shareholders for vote at this meeting. 685,590,886 common shares were represented by proxy and in-person at 11:00 AM on June 25, 2020 and a quorum exists.

Thank you, Lee. I declare that a quorum exists and that this meeting is lawfully convened and ready to transact business. Bob Guido of PricewaterhouseCoopers, the independent auditors for Kroger is with us today and is available for questions. Bob, as well as Gary Millerchip and Christine Wheatley, will assist us in answering questions about the 2019 Annual Report.
If you have a question, please enter it in the box located at the bottom left corner of the webcast screen. We will address any questions about the annual report, as well as other topics later during the Q&A portion of the event.

It is now my privilege to introduce our board of directors, joining us for today's virtual meeting. Nora A. Aufreiter, Anne Gates, Karen Hoguet, Susan Kropf, Clyde Moore, Ron Sargent, Bobby Shackouls, Mark Sutton, and Ashok Vemuri.

We are fortunate to have a highly engaged board of directors, each of whom brings valuable experience and expertise to Kroger. We are thankful for their outstanding service and contributions, and it's only fitting that I take this moment to recognize and a huge thank you to Jorge Montoya and Jim Runde for their dedication and passion over the last 13 and 14 years on our board, respectively. We thank them for their contributions and commitment. Because of Jorge and Jim, we are a better company and both will always remain special friends to The Kroger Co. Jorge and Jim both are just amazing in terms of the quality of questions they ask, pushing us in the right way and it will be a huge miss and we wish both of them all the best.

We will now transition to the proposals. The first motion to be voted on is the election of directors. The 10 director nominees who have been nominated by the board of directors as candidates for election are shown in the proxy statement. All directors are to be elected to serve until the annual meeting in 2021 or until their successors have been elected and qualified. May I please have a second?

Lee Cassiere
Vice President Audit, The Kroger Co.

I second the motion.

W. Rodney McMullen
Chairman & Chief Executive Officer, The Kroger Co.

Thank you. Let's move on to the second motion. The next motion is an advisory vote to approve the compensation of Kroger's named executive officers. May I please have a second?

Unverified Participant

Yes. I'll second it.

W. Rodney McMullen
Chairman & Chief Executive Officer, The Kroger Co.

Thank you. Let's move on to the third motion. The next motion is to ratify the appointment of Kroger's independent auditor, PricewaterhouseCoopers LLC. May I have a second?

Unverified Participant

I'll second that.
Thank you. There are two shareholder proposals and we asked a representative for each to present their respective proposals. The representative to present the proposal for item number 4 regarding the publication of a report, assessing the environmental impact of packaging for our brands' product is Conrad MacKerron.

**Conrad MacKerron**  
*Senior Vice President, As You Sow*

Good morning. My name is Conrad MacKerron, I'm Senior Vice President with As You Sow, a non-profit group promoting corporate social responsibility, which filed item 4 on the proxy today. The proposal asks the company to assess the environmental impacts of continuing to use non-recyclable brand packaging. We are concerned that the company uses a significant amount of packaging that is not recyclable, especially plastic packaging. Dried fruit, frozen meat, cheese and pet food are some of the Kroger house brand items packaged in un-recyclable plastic pouches or flexible packaging. Using an un-recyclable packaging when recyclable packaging alternatives are available wastes valuable resources that could be recycled many times over.

Our proposal has appeared for several straight years on the Proxy Statement and each time received an impressive amount of support between 24% and 30%; still the company has taken no definitive actions in this regard. By not taking action, it now lags its competitors. Walmart for instance agreed to switch all its private brand packaging to make it recyclable, reusable or compostable by 2025. It also agreed to reduce the overall volume of private brand plastic packaging where possible.

Plastic packaging is a prime component of ocean gyre pollution, which threatens marine animals and human health. Recent studies estimate that 8 to 12 million tons of plastics are dumped into the ocean annually and project that oceans may contain more plastic than fish by weight by 2050. This issue has exploded in recent months. The European Commission has released a plastic strategy to require all packaging in the EC marketplace to be recyclable from 2030.

Making all packaging recyclable is the first step to reduce the threat posed by ocean debris. Association of Kroger brand products with the littered packaging and toxic ocean pollution can put the company's brands at risk.

After several years of strong shareholder votes on this proposal, it is encouraging to see the company finally acknowledge it is reviewing its brand packaging and will issue new goals and commitments by year-end. Still, it has given no assurance it will set a goal to make all packaging recyclable as competitors like Walmart have done. So, this proposal merits continued shareholder support to send a message to management that a stronger, more specific response is warranted. Therefore, we respectfully ask for your support on proposal number four. Thanks for your attention.

**W. Rodney McMullen**  
*Chairman & Chief Executive Officer, The Kroger Co.*

Thank you, Conrad. May I have a second?

**Unverified Participant**

I'll second that.
W. Rodney McMullen  
*Chairman & Chief Executive Officer, The Kroger Co.*

We appreciate your engagement with our team, which you should know and we hope that all our stakeholders know influences our path going forward. We share your concerns about packaging sustainability and the need to reduce plastics in the environment. That's why three years ago we set public goals to make our brand packaging more sustainable by the end of 2020.

We've made tremendous progress to improve the packaging for Kroger manufactured products like increasing recyclability, targeting 20% recycled content and reducing plastic by over 10 million pounds, which we've achieved and exceeded ahead of schedule. We are also focused on reducing single use plastics, pledging to phase out plastic grocery shopping bags by 2025 and offering reusable packaging options.

In 2019, we became the exclusive US grocery retail partner for Loop, an innovative circular packaging platform that aligns with our Zero Waste vision. We will share more about our progress next month in our 2020 ESG report. We recently finalized new packaging commitments for 2030, and look forward to working together to achieve these ambitious goals. The representative to present the proposal for item number 5 regarding the publication of a report on Kroger’s human rights due diligence process is Art Prapha.

Art Werapong Prapha  
*Senior Advisor-Campaigns and Advocacy, Oxfam America*

Good morning. My name is Art Prapha and I'm speaking on behalf of Oxfam America. I am here to move item number 5, which calls on Kroger to prepare a report on the company's human rights due diligent process to identifying, assess, prevent and mitigate actual and potential human rights impacts in its operations and supply chain. The adoption of human rights due diligence is critical, especially now. During the current global pandemic that is affecting workers in Kroger's own operations in the United States and the company's global supply chains, based on Oxfam's assessment of Kroger’s policies on human rights and supply chain transparency, we have found Kroger scores to be some of the lowest among six assessed US supermarkets. Given Kroger's business relationship with suppliers operating in high risk sectors, the company's current business model exposes investors to significant reputational and in turn financial risks.

Increased public scrutiny on industry reliant upon child and forced labor has magnified the reputational risk, proactively identifying and mitigating human rights abuses costly backlash from communities, customer and government regulators. Thereby reducing longer term risk to shareholder.

We are encouraged by Kroger's recent steps to incrementally improve its policies to address human rights issues outlined in the statement on human rights vendor code of conduct and social compliance program. While we appreciate these policy statements however the compliance-based approach as outlined by these policies often overlooked significant human rights issues in Kroger’s supply chains.

For example, it does not address the root causes of forced labor practices such as workers' recruitment fees, ineffective [indiscernible] (00:13:05) mechanisms and systems like an unequal power relations in the global supply chains. In the last month Oxfam has collected more than 50,000 signatures from consumers calling on the US supermarket sector including Kroger to protect its workforce and reduce human rights risk. Consumers and shareholders are losing faith in companies that don't take these issues seriously. And increasingly shoppers are voting with their wallets.
The public is looking for leadership and this is an opportunity for Kroger to walk the talk on stakeholder capitalism. As Kroger shareholders your vote is powerful. We strongly urge you to vote to support item number five on human rights due diligence. Thank you.

W. Rodney McMullen  
*Chairman & Chief Executive Officer, The Kroger Co.*

May I have a second?

Unverified Participant

I'll second that.

W. Rodney McMullen  
*Chairman & Chief Executive Officer, The Kroger Co.*

Thank you for your comments, Art. Kroger's purpose is to feed the human spirit. And human rights are a fundamentally important topic for us. Protecting human rights is embedded in our company's governance and culture. We are committed to protecting and advancing rights for all. Much of our focus is on our US operations. However, we recognize the additional reach of our global supply chain. Through our statement on human rights, our vendor code of conduct and our social compliance program, we affirm our high standards and expectations for all vendors and suppliers. We have a zero tolerance policy for human rights violations reported through our social compliance program or other means, and we monitor and verify corrective actions to support continuous improvement. If corrective actions do not meet our standards or on a reasonable timeframe we discontinue the sourcing relationship. We regularly engage investors, NGOs, suppliers and others to identify and better understand human rights risks in our supply chain. Kroger also supports global farming communities through our partnership with Fair Trade USA.

In 2019, we increased the volume of Fair Trade Certified ingredients in our brands by over 70%, reaching nearly 30 million pounds of ingredients and 82 Simple Truth products. Together with Fair Trade we promote responsible growing practices, economic empowerment and stronger communities around the world. For more information about our commitments to human rights please see the proxy or visit the krogerco.com, while we wait for the report on the results of the vote, I'd like to share a few words about our progress in the past year and where we are going.

Please note to today's presentation will include forward-looking statements as described on the slide. As I remarked in my annual letter, the food industry is special. It is a sentiment I have expressed more times than I can count. It is something I deeply believe. More importantly it is a sentiment that has taken on new and magnified meanings as we continue to confront the greatest health threat to our global community in 100 years. I could not be prouder of the way our associates have come together during this unprecedented time to protect and support each other and our customers, recognizing now is the time to unite.

[Video Presentation] (00:16:59-00:18:29)

Don't you love that video? To me that video perfectly captures the essence of our purpose to feed the human spirit. No matter the circumstances our purpose influences how we think both short-term and long-term about our business. Retailers need to transform themselves every 12 to 14 years to stay relevant. And those
transformations typically take three to four years to accomplish. In 2018, we embarked on Restock Kroger, our three-year proactive plan to transform.

Under Restock Kroger, we have made significant strategic choices over the last several years to evolve our business model and redefine the customer shopping experience, partner for customer value, develop talent and live our purpose. We are more convinced than ever that we made the right decision to transform our business model when we did. We have invested aggressively in technology to establish a seamless digital ecosystem and we've made incremental investments in fresh, our brands and personalization. These investments and our competitive moats helped us to build a business momentum in the second half of 2019, which continued through the start of our first quarter even before the first phase of the pandemic began in our operating markets in earnest in March.

When I reflect on 2019, which feels so long ago, especially in today's and current environment, there were so many bright spots. We debuted Kroger's brand transformation campaign Fresh for Everyone, celebrating our food-first culture and exciting history as America's favorite grocer. We exceeded $23 billion in sales for our brands, making it the best year ever for our industry-leading private label portfolio. We collaborated with iconic companies like Microsoft and Walgreens and innovators like Ocado to enhance the customer experience and do things together that neither of us could do alone.

We continued to map Ocado facilities in the US, designing a flexible distribution network. We know Ocado's value is not just its current capabilities, but also in how quickly they innovate to serve a rapidly developing online consumer market. And their model to deliver to customers is significantly less costly than our existing model. We've announced nine customer fulfillment center sites, most recently naming the Great Lakes, Pacific Northwest and West as additional regions. Our first two customer fulfillment centers will become functional next spring in Southwest Ohio and in Florida. We expanded our asset-light margin-rich alternative profit streams, which continue to have ample runway ahead.

Lastly, we invested in wages to increase our average hourly wage to over $15 an hour in 2019, providing our associates with more financial resources. When you include comprehensive benefits, our average hourly rate is over $20 per hour, providing benefits that many of our competitors do not offer.

Last year's results validated why we started on the Restock Kroger journey to transform our business from grocer to growth. For the last several months, as the COVID-19 pandemic has swept across our country, we have been focused on our most urgent priority to provide a safe environment for our associates and customers with open stores, e-commerce solutions and an efficiently operating supply chain, so that our communities have access to fresh, affordable food and essentials.

Key changes pre-coronavirus positioned us to more effectively respond to the health crisis and permitted us to successfully operate as an essential business. We have invested more than $830 million to reward our associates and to safeguard them and our customers through implementation of extensive measures like providing paid emergency leave, administrating free COVID-19 test to associates and customers, supplying masks to all associates and asking customers to wear them, installing partitions at every check lane and floor decals to further promote physical distancing and much, much more. We continue to listen to our associates and take steps to ensure their safety and well-being.

The investments and changes we made in our business over the last two-and-a-half years under Restock Kroger, positioned Kroger to respond to the health crisis. For example, our heavy investments in technology enabled us to reliably sustain the incredible almost overnight increase in demand for our pickup and delivery services.
Because of our focus on talent development, we were able to create an expedited hiring process and employment partnerships with trusted companies from many of the hardest hit sectors like restaurants, hotels and food service. Together this enabled us to hire more than 100,000 new associates, many of whom took advantage of these bridge jobs and are now beginning to return to their previous places of employment, as the economy reopens.

I am proud of every associate in our stores, pharmacies, clinics, manufacturing plants, distribution facilities, customer support centers and offices, who stepped it up when they were called on to be there for our customers, communities, and each other. When I think of our frontline associates, Haley is a great example. Haley is a cashier in our Atlanta division. She was chosen to provide a commencement speech for 2020 graduates on NPR. In the fall she will be attending Southern University in Baton Rouge, Louisiana majoring in nursing. She shared that working during the pandemic and being able to help customers get the medicine, food and products they needed help solidify her dream to be a nurse.

Unverified Participant

I had to exercise compassion, patience and quick thinking under pressure. And I am still so very grateful for that experience. What I hope you graduates have learned from this experience is that you have to be in the moment and live for today. Have goals and dreams, but be adaptable.

W. Rodney McMullen
Chairman & Chief Executive Officer, The Kroger Co.

Haley’s message really spoke to me. Compassion, patience, quick thinking, learning from your experiences to be better, being adaptable, these are all great lessons for all of us; today, now, and as we move forward together. Kroger has learned and continues to learn a lot, while keeping our stores and supply chain open and serving America during the pandemic. Through our blueprint for businesses we have shared what we’ve learned to help retailers, restaurants, manufacturers and other companies to begin to reopen safely. The actionable resource guide was created for companies of all sizes and can be downloaded at KrogerBlueprint.com.

As America enters the next phase of the pandemic, we know that our associates will continue to rise to their challenge delivering Fresh for Everyone and helping our customers, communities and America emerge even stronger.

When I think about where we’ve been and where we are headed, it’s important to note that prior to COVID-19, we made significant progress on positioning the business for growth. Identical sales were up almost 4% in the first period and earnings growth in quarter four 2019 was equal to the earnings growth for the three preceding quarters in 2019.

Last week we reported our quarter one 2020 performance and Kroger’s identical sales without fuel grew 19%, with digital sales growing at 92%. We achieved an adjusted operating profit of $1.5 billion and adjusted EPS of $1.22. We shared our thanks and appreciation for these incredible results with our associates who received special bonuses and premium pay above their normal wages during the months of March, April, May and June, and we continue investing to raise the wages of our frontline associates. Kroger is increasing associate wage investments by approximately $800 million through the end of 2020 as part of Restock Kroger, and that's $300 million in the year more than the original plan. We continue to reward our shareholders as well. Kroger has delivered annual increases in our dividend since it was reinstated in 2006.
Today, I am pleased to announce that our board of directors has approved a dividend increase to $0.18 per quarter or from $0.64 to $0.72 per year. This is Kroger's 14th consecutive year of dividend increases. And when you look at it cumulatively, it's a double-digit compounded increase. We are confident we can deliver consistently attractive total shareholder returns in the future because of our strong free cash flow and sustainable net earnings growth.

We are also confident we can deliver consistently impactful stakeholder value as well. Our communities need purpose-driven companies now more than ever, and we are committed to using our voice, resources and platform to create a more equitable and just society. Through our award-winning Zero Hunger | Zero Waste social impact plan, we are creating communities free of hunger and waste. Our initiative directly addresses the disparity between hunger and food waste in America. We are pleased with our progress so far and recognize the monumental task still at hand.

Last year alone, through innovation, engagement and commitment, we directed $279 million to charitable giving, launched a new fund to support food waste entrepreneurs and innovators, accomplished 80% waste diversion, increased food waste tonnage recycled by 28% and standardized our brands' product date labels and much more all in one year. But one of our most meaningful milestones to-date is reaching our three-year goal to direct 1 billion meals, that's right, 1 billion meals to communities across America. That's a wow. Let's see the impact of this achievement.

[Video Presentation] (00:30:20-00:32:05)

You too are playing a role today in creating Zero Hunger | Zero Waste communities. If you submitted a ballot, we matched your vote with one meal and donated it to Feeding America to help feed families across the country. To support families during the current health crisis early on we activated The Kroger Co. Zero Hunger | Zero Waste Foundation's Emergency COVID-19 Response Fund to help those disproportionately impacted by the virus.

Kroger and the Foundation have already directed more than $8 million to non-profit organizations, addressing most urgent needs. We expanded our Dairy Rescue Program and are now accepting SNAP EBT benefits for Kroger's low-contact pick-up service, inviting even more customers to use this service. COVID-19 is not the only crisis affecting our country. The pandemic and the most recent instances of racial injustice have changed our country in unmistakable ways, not the least of which is the devastating loss of life and livelihood that it's affected so many Americans.

Our company is proud to stand with our black associates, customers and communities against racism and for a more just society. To become even a greater part of the solution, we believe it is important to first speak up and acknowledge that our company can do more. Second, we are more deliberately listening to our associates who are people of color. Recently I joined a listening session to hear directly from associates and how we can better support them. I greatly appreciate the ally ship guide developed by our African-American Associate Resource Group and have personally appreciated the book recommendations. Third, we are taking action that builds on our longstanding commitment to diversity inclusion. We have committed $5 million to support the advancement of diversity, equity and inclusion in our communities.

Another thing we are proud that we have increased our investments in minority and women-owned businesses by 12% last year to reach $3.4 billion, and we are committed to doing even more. By standing together we are better together. Every one of us has a role to play. And we look forward to sharing our progress. As we near the completion of our three year Restock Kroger journey, we will continue to focus on speed, action, agility and
transformation. Kroger continues to prove why it's been America’s grocer for 137 years and counting. I have never been more confident in our future and more proud of our team.

That concludes our annual business review. Now, we will return to our formal agenda.

Unverified Participant

Our voting period is closed. Lee will provide a report on the results of the vote for the five items outlined earlier. Lee, your report please.

Lee Cassiere  
Vice President Audit, The Kroger Co.

Item number one; election of directors. We find that the nominees for the board of directors have been duly elected as directors of the Kroger Co. with over 84% of the votes cast in favor of the nominees.

Item number two; advisory vote on executive compensation. We find that the resolution approving the compensation of the company’s named executive officers was adopted with over 90% of the votes cast in favor of the resolution.

Item number three; ratification of auditors. We find that the resolution ratifying the selection of PricewaterhouseCoopers as the company’s auditors for the year 2020 was adopted with over 93% of the votes cast in favor of the resolution.

Item number four; recyclability of packaging. We find that the resolution that the board of directors issue a report assessing the environmental effects of using unrecyclable brand packaging was defeated with over 62% of the votes cast voting against the resolution.

Item number five; report on human rights due diligence process. We find that the resolution that the board of directors issue a report on human rights due diligence processes in operation and supply chain was defeated with over 55% of the votes cast voting against the resolution.

Unverified Participant

Thank you, Lee. This concludes the formal portion of today's agenda and we will now transition to Q&A. Kroger's Group Vice President of Corporate Affairs, Keith Dailey will read the questions we've received both prior to the meeting and during the meeting and I will respond.

In accordance with our rules of conduct, we are answering one question per topic to ensure as many questions as possible can be answered in the time allocated. In the interest of time, we've allocated 20 minutes for this portion of the meeting. First question, please?
QUESTION AND ANSWER SECTION

Keith G. Dailey
Group Vice President-Corporate Affairs, The Kroger Co.

Mr. Chairman, a shareholder has asked what are the headwinds and tailwinds associated with Kroger’s expected digital growth, noting that digital sales at 92% is amazing, yet you have said it takes several years to achieve profitability?

W. Rodney McMullen
Chairman & Chief Executive Officer, The Kroger Co.

Yeah. I love the question, and I'm just so proud of our digital team, technology team and our stores, and all the work they've been able to do, you know when you think about in a quarter growing something by 92% takes a lot of people working together. And if you look at the last couple of months it's actually triple-digit growth.

And one of the things that's always been our strategy is to make sure that we engage with the customer ever how they want to engage with us, and what we're finding especially during the pandemic, customers appreciate the ability to do pick up or delivery and it's just one more way to make sure that we're delivering what the customer wants and needs are. And it's to me part of the overall equation of making somebody's life easier.

As I've said before, it typically takes three to four years for a customer to become as profitable once they become a digital shopper, but they do, and obviously, the biggest reason for that is we pick somebody's order versus somebody picking it themselves. And over time, obviously the ramp up of Ocado and continued other things in technology will continue to make that – accelerate more quickly. But job one is to make sure we never lose a customer. Job two is to make sure we take care of that customer and serve them the way they want to be. And what we find is, over time, people still come into the store more frequently even after they've become a digital shopper. So, we love them, we appreciate them, and we're doing everything we can to make sure they stay happy and satisfied.

Keith G. Dailey
Group Vice President-Corporate Affairs, The Kroger Co.

A shareholder has asked if you can outline the company's thought process on providing hazard pay for workers during the pandemic.

W. Rodney McMullen
Chairman & Chief Executive Officer, The Kroger Co.

Okay. Thank you. See I am just – you know I said in my prepared remarks as well – earlier remarks I am just so proud of our associates all their hard work being there for our customers and just so happy that we were able to share appreciation pay and thank you pay and hero pay with our associates over the last four months. And the company what we've been able to do is just, a leader in our industry by doing that March, April, May, June. In total, we've invested over $800 million in incremental pay, incremental safety things for keeping our customers safe, keeping our associates safe, and all of those things.

If you look at a little bit broader in terms of pay overall at Kroger and it's something we're very proud of. As part of Restock Kroger we had made a commitment to invest incremental money in wages. In 2020 that will amount to $800 million and that's $300 million more than the original Restock Kroger plan. If you look at our average hourly
rate, it's over $15 an hour. And then you add on top of that comprehensive benefits, which brings the average hourly rate over $20. And when you look at the comprehensive benefits as everybody knows a lot of – we have many of our competitors do not offer anything as generous as what we do. So, really so proud of what everybody's done, appreciate everybody's hard work. And together, we're doing a great job on keeping a safer environment for our customers and our associates, keeping our stores open, having e-commerce solutions for customers that want to engage e-commerce through pick-up and delivery and keeping our operating supply chain efficient and that – all those things together allows every – our communities to have access to fresh affordable food and essentials during this time of the special need.

Keith G. Dailey

Group Vice President-Corporate Affairs, The Kroger Co.

Thank you. A shareholder states that Kroger's pollinator protection statement currently does not contain specific time bound or measurable goals. The shareholder asks what plans does Kroger has to address the overuse of pollinator toxic pesticides in its supply chains in order to protect the bees and other pollinators that its food sales depend on.

W. Rodney McMullen

Chairman & Chief Executive Officer, The Kroger Co.

Thank you for the question. As America's grocer, the Kroger family of companies, we are committed to protecting people on our planet and making sure that we're advancing positive change in our company and our communities. Through our Zero Hunger | Zero Waste Social Impact Plan, we're on a journey to end hunger in our communities where we operate and eliminate waste in our company by 2025. And as responsible stewards of natural resources, we recognize the global honey bee population is at risk. And research indicating the causes may include the use of certain pesticides including neonic.

Due to the potential risk to honey bee populations, we support and encourage efforts to protect these pollinator species. Back in 2018, we committed to working with our suppliers to phase out neonics treated outdoor plants by 2020, and we are on track to meet that goal, which is obviously incredibly important.

In 2019, we released a Pollinator Protection Policy, which encourages suppliers limit non-essential use of these pesticides and find alternative pest management methods. And overall, our commitment is bringing affordable organics to everyday Americans across the US. And over this last several years, we've really helped greatly expand the organic industry. Kroger offers one of the largest organic produce departments in America. Obviously, our Simple Truth organic brand is also one of the largest organic brands in the US. And all of these things together, we continue to want and support helping honey bee population. And for additional information is also available in our ESG report as well.

Keith G. Dailey

Group Vice President-Corporate Affairs, The Kroger Co.

Mr. Chairman, the next question relates to passive mutual fund ownership of corporation. The shareholder states that currently BlackRock, Vanguard, and State Street each own in excess of 5% of the company's outstanding shares. BlackRock and State Street manage assets in the company's retirement plans. Does the board see any – see this growing passive ownership concentration as a positive or a negative development as regards long-term corporate planning and performance? And also, are there potential conflicts of interest when a 5% holder is managing company retirement plan assets?
W. Rodney McMullen  
Chairman & Chief Executive Officer, The Kroger Co.

First of all, thanks for the question. And we always welcome and appreciate a variety of ownership. We do not draw a distinction between passive ownership and active ownership, and we always engage and aim to engage with all of our shareholders, regardless of whether they're passive or active.

Our board sets a long-term strategy and every – on a regular basis, we measure our progress against these. And it's always a deeper connection with our customers, taking care of our customers, continuing to grow the number of customers we have, taking care of our associates and what we find is that a lot of associates come to Kroger for a job and make it a career because they love food and they love people, and then living our company purpose, which is to feed the human spirit. And when you look at those three things together, what we're able to do when we deliver all of those together we're able to consistently provide an attractive total shareholder return.

In terms of your question about conflict of interest, a couple of points. Our 401(k) plans, we hire an independent fiduciary to advice on the planned offerings. For our pension plans, we have an – we make independent investment decisions with advice from active advisors outside of the company and none of the named funds have any active role in determining the strategy for either one of those cases. So, thanks for the question. Appreciate it.

Keith G. Dailey  
Group Vice President-Corporate Affairs, The Kroger Co.

Mr. Chairman, a shareholder has asked with a spike in new customers due to the pandemic, what is your strategy to retain these customers given the heightened competition?

W. Rodney McMullen  
Chairman & Chief Executive Officer, The Kroger Co.

Yeah. Obviously, the opportunity to make sure that we're taking care of those customers is unlike anything we've ever had before. And I'm just so proud of our over 0.5 million associates and what they're doing every day to take care of the customers. And it's the same way as always, you make sure the customer gets what they want and if it's a pickup they're getting all the items they order on pick-up; and if it's a delivery the same thing. If they're in the store, it's finding what they want, it's a friendly face, it's somebody helping them find out for – help them figure out what's for dinner and all those things together.

We're also – obviously, we have data for customers and it's personalized, we never share it outside of the company. But we offer those customers things that are important to them to get them to keep coming back. And we love them and we want them to fall in love with us. And together, we're going to do all we can to make sure that customer has a great experience and keeps coming back and we're really depending on our associates to do that every day.

Keith G. Dailey  
Group Vice President-Corporate Affairs, The Kroger Co.

Mr. Chairman, a shareholder has asked, does Kroger has a medical officer on staff to help manage the health and safety of employees during the pandemic?

W. Rodney McMullen  
Chairman & Chief Executive Officer, The Kroger Co.
Yeah. Yes, we do. It's Dr. Marc. And Dr. Marc is an amazing person. And he's got such an incredible background, and I can't think of a better person to be helping us navigate through COVID-19. He did amazing things beforehand and now just adding on top of it.

We also have a huge health and wellness team that Dr. Marc works with. And together, we're doing everything we can to provide testing for associates when they're eligible. We're doing you know – we keep active dialogue and Dr. Marc does a wonderful job of using other resources outside of the company; local health department, state and federal health groups to get the latest learnings, and also talking to other companies. And Dr. Marc has just been a godsend through this whole process and helping us do everything we can to keep our associates safer and our customer safer and hats off to him and the whole health and wellness team.

And one other thing that you might find of interest, we've done over a hundred thousand COVID-19 tests in 15 different states and that's our nurse practitioners and pharmacists and other medical professionals doing and helping all our communities to find out when somebody has COVID-19 or not, and doing everything we can to get America back on its feet and growing again.

Keith G. Dailey
Group Vice President-Corporate Affairs, The Kroger Co.

A shareholder has asked, are there any plans by the Houston divisions to expand and reopen in markets in Louisiana?

W. Rodney McMullen
Chairman & Chief Executive Officer, The Kroger Co.

Yeah. Louisiana is a great state. We have about nine stores in the state today. We would continue to look all across the country in terms of what's the biggest opportunity. One of the things that we are investing significant capital in is technology at the moment. And if you think about that conversation before on digital, between technology and digital is significant amount of capital and we'll continue over the next several years to allocate significant resources for that and for all the Ocado sheds. So, it's on our list. We love this state, and I appreciate the question. We'll make sure that we look at the opportunities there and look forward to continue to grow in Louisiana.

Keith G. Dailey
Group Vice President-Corporate Affairs, The Kroger Co.

A shareholder has stated, thank you for the information about how Kroger has worked to protect the health and safety of associates. Could you provide additional detail on how associates have been consulted and included in the decision-making processes during the pandemic, and how they'll continue to be consulted going forward?

W. Rodney McMullen
Chairman & Chief Executive Officer, The Kroger Co.

Yes. One of the things that we've had in place for many, many years is associate resource groups, all across the company. And the associate resource group is just a wonderful resource to help us understand what's on people's minds. If you look at our HR team, our people team, they also do a lot of listening, a lot of surveys every week, seeing what's on people's minds and what are they worried about, and then obviously, anything that we can do from a health standpoint. If you look at the current situation, we're also getting inputs from Dr. Marc and others.

So, if you look at mask I know that's something that different people have different points of view, but when you talk to the medical professionals, everybody tells you that masks are a positive and are helpful. So, with our
associate resource groups, one of the things that we talk about is trying to help them and help us explain why that's so important for people to wear mask. And we also encourage our customers to wear masks as well because all – those things together will help limit or reduce the number of COVID transmitted cases as an example.

If you look at the current situation with Black Lives Matter, our African-American Associate Resource Group has just been incredibly helpful and helping us – we're committed to be able to do more than we've done. We're proud of what we've done, but we can do more, and they've already come up with suggestions on mentoring, and mentoring at all levels across the company, examples like that, and it really helps us move faster and quicker and move at the things that really matter most. So, really appreciate the question.

Keith G. Dailey
Group Vice President-Corporate Affairs, The Kroger Co.

Mr. Chairman a shareholder has asked, when will we begin to see Ocado shed online and serving customers and what would that look like?

W. Rodney McMullen
Chairman & Chief Executive Officer, The Kroger Co.

The first two Ocado sheds will open in mid to early 2021. One will be in Monroe, Ohio, the other one will be in Florida. Monroe, Ohio is obviously an existing market and that shed will serve this region. Florida is a brand-new market for us. Now a lot of customers will know about Kroger because a lot of people that live in Florida lived in the north at some point or they are on vacation. So, we really hope and expect our brand recognition to help that one get off the ground fast.

But those are the first two that will open and you'll be able to start ordering directly from those sheds next year. And if you haven't, there's some great, a couple of videos. I think it's on YouTube that Ocado has put out there that shows the robotics and – how a shed works. And to me it's just incredibly impressive and the quality of the orders, the great end stock, the ability to deliver to people houses or deliver to a store so you can do pick up, all those things together will be a huge service for our customers and a nice competitive advantage as well, and we can't wait to get them open especially in the current environment.

Keith G. Dailey
Group Vice President-Corporate Affairs, The Kroger Co.

A shareholder has asked while more work still needs to be done in the environmental arena Kroger Co. is to be highly commended for extensive sustainability measures and reporting. If a shareholder would like to be more engaged in the sustainability process, what division or who within Kroger should a shareholder contact?

W. Rodney McMullen
Chairman & Chief Executive Officer, The Kroger Co.

Yeah. I will start answering the question and [indiscernible] (00:55:30) reports to you, please add, but we have a great team and if you go to the Kroger website you can see our ESG and a lot of documentation, it will also include an email address, and I don't know if [indiscernible] (00:55:51) direct email address or to a box, but please do engage and if you go to our website and [indiscernible] (00:55:58) you'll be able to find it. I don't know, Keith anything I should've added on top of that?
No, thanks Rodney, that's exactly right sustainability.kroger.com is the home of our ESG work and all of our sustainability reporting. And if you can't reach the company through that you are welcome to email me directly, its keith.dailey@kroger.com.

W. Rodney McMullen
Chairman & Chief Executive Officer, The Kroger Co.

Thank you.

Keith G. Dailey
Group Vice President-Corporate Affairs, The Kroger Co.

We have time for one final question. A shareholder has asked what are you seeing in terms of customer behavior during the pandemic, and what do you expect the new normal will look like?

W. Rodney McMullen
Chairman & Chief Executive Officer, The Kroger Co.

Yeah. That question, I always say internally, obviously, we're spending a lot of time on that. And if you take 10 smart people and put them together and average their answer, I always feel more faith than any one person individually. If you look at early in the pandemic there was huge stock up, obviously toilet paper, cleaning supplies, things like that is what everybody heard about. And one of the things that we try to do anytime we can talk about it is, buy what you need, but you don't need to stock up because the supply chain, there's plenty of stuff in the supply chain, it's just that burst of demand takes a while for the supply chain to catch up.

As people started spending more time at home, the families coming together and I've talked to tons of people whether they are college kids or young adult kids move back home, all of those things, they're cooking a lot more at home. And when they cook a lot more at home, buying a lot more flour, yeast is one of my favorite examples, yeast went up 600%. All of those things – and the thing that's so exciting is in our research customers are telling us, they actually like cooking as a family.

And I know people with young kids, they give us feedback that their kids really love making cookies and things like that and sharing it with the family. And those are the kind of things when families eat as a family, the family stays as a family and Kroger will be there for them. And if you look today it's pretty broad-based in terms of what people are buying and we're doing everything we can to help keep people inspired on new ideas for what's for dinner tonight, what's for lunch and making it easy for people to keep their family fed and on a budget as well.

So, I appreciate the question and I can't be more proud as I said before of our over 500,000 associates and what they've done throughout the pandemic, and what they've done for our customers and our communities and hats off to them.

W. Rodney McMullen
Chairman & Chief Executive Officer, The Kroger Co.

With that, we'll end the question section. I want to thank all of you who joined us today for our first virtual shareholder meeting. As I said, I am just so proud and deeply, deeply grateful for everything that everyone's doing and all of our associates. We're there when our communities need us most. And in true Kroger spirit just like Haley, and I don't know about you, but Haley's speech to me is just so inspiring. Our associates have risen to each challenge presented with a strong spirit of agility, determination and service to meet the needs of our customers and these are the exact skills that will ensure the company will remain relevant to our customers in the future. We are more certain than ever that the strategic choices and investments we made through Restock
Kroger have repositioned our business to create value for all of our stakeholders and deliver consistently attractive total shareholder return.

Before we conclude, I'd like to take a moment to acknowledge several past leaders who joined us on the call today. Thank you to Dave Dillon, Lyle Everingham, Bill Sinkula, Paul Heldman, Kevin Dougherty and Mike Schlotman. Dave Dillon, I have no idea how many times during the pandemic I think about Dave and the examples and things that he taught me and it’s been incredibly appreciative as we’ve been going through COVID-19. His mentorship and leadership over the years has been hugely appreciated along with everyone else. And Bill, happy 90th birthday and thank you for all you've done for me.

And as in our introduction, Jim Runde and Jorge Montoya, thank you for the amazing service to Kroger shareholders, your amazing service to help Kroger become a better company. Your commitment and focus on customers and associates, your unprecedented quality and it's just outstanding, and we will forever be appreciative and your footprints will be forever reflected on the things that you've added for this company. So, thank you.

And lastly, as you know, we typically provide a coupon book for our brands' products to meeting attendees. But this year, we thought it would be more uplifting and helpful to donate the combined redeemed the value, which will provide 100,000 meals to Feeding America.

And we would also ask you, since we don't have ice creams to serve after this call, that you go into your freezer and get some Kroger ice cream out and celebrate it as well. Thank you for joining us today virtually. Take care. Be safe. Be well. Ladies and gentlemen, the meeting is adjourned.