

## **AUDIT COMMITTEE**

### **I. PURPOSE**

The primary function of the Audit Committee is to represent and assist the Board of Directors in fulfilling its oversight responsibilities regarding The Kroger Co.'s financial reporting and accounting practices including the integrity of the Company's financial statements; the Company's compliance with legal and regulatory requirements; the qualifications and independence of the independent registered public accounting firm (the "independent accountants"); the performance of the Company's internal audit function and independent accountants; and the preparation of the report that SEC rules require be included in the Company's annual proxy statement.

### **II. COMPOSITION**

The Audit Committee will be composed of three or more directors, as determined by the Board of Directors, each of whom must be "independent" directors (as defined by the NYSE listing requirements and SEC Rule 10A-3). The Corporate Governance Committee of the Board will establish committee membership and will be empowered to remove Audit Committee members at any time. Audit Committee members may not serve on the audit committee of more than three public companies, unless approved in advance by the entire Board of Directors.

All members of the Audit Committee must be "financially literate" as determined by the Board of Directors in its business judgment. At least one member of the Audit Committee must be an "audit committee financial expert" as defined in Item 407(d) of Regulation S-K.

All members of the Audit Committee must comply with all requirements of the NYSE, SEC and all other applicable regulatory authorities.

### **III. MEETINGS**

The Audit Committee will meet at least quarterly, if not more frequently as circumstances dictate, and will report to the full Board after each meeting. To foster open communications, the Audit Committee will meet separately and periodically with management, including without limitation the Chief Financial Officer and the General Counsel, the independent accountants and the Vice President of Auditing. The Audit Committee will meet with its independent counsel as necessary.

### **IV. RESPONSIBILITIES AND DUTIES**

The Audit Committee will:

1. Meet to review and discuss with management and the independent accountants the Company's annual audited financial statements, including the Company's specific disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations," and any certification, report or opinion rendered by the Company's independent accountants or the Company's principal

executive or financial officers in connection with those financial statements prior to filing with the SEC, and recommend to the Board whether the audited financial statements should be included in the annual report on Form 10-K.

2. Meet to review and discuss with management and the independent accountants the quarterly financial statements, including the Company's specific disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations" and any certification, report or opinion rendered by the Company's independent accountants or the Company's principal executive or financial officers in connection with those financial statements prior to filing with the SEC.
3. Discuss with the independent accountants the matters that the independent accountants must communicate to the Audit Committee under applicable requirements of the Public Company Accounting Oversight Board.
4. Review earnings press releases, and discuss the Company's practices with respect to earnings press releases, and financial information and earnings guidance provided to analysts and rating agencies.
5. Review material changes in accounting policies, and financial reporting practices and material developments in financial reporting standards brought to the attention of the Audit Committee by the Company's management or independent accountants.
6. Review material alternative treatments of choice with respect to the appropriate accounting principles and practices to be used in the preparation of the Company's financial statements and brought to the attention of the Audit Committee by the Company's management or independent accountants.
7. Review the performance of the independent accountants annually, and select (subject to ratification by the Company's shareholders); evaluate; compensate; oversee; and, where appropriate, replace the independent accountants, which will report directly to the Audit Committee. The Audit Committee will oversee compliance by the independent accountants with the applicable requirements respecting the rotation of audit partners.
8. Consider the independence of the independent accountants at least annually, and review an annual written statement, prepared by the independent accountants, delineating all relationships between the independent accountants or their affiliates, and the Company or persons in financial reporting oversight roles at the Company, that may reasonably be thought to bear on the independence of the independent accountants, and discuss with the independent accountants the potential effects of any such relationships on independence, consistent with applicable requirements of the Public Company Accounting Oversight Board.
9. Obtain and review an annual written report, prepared by the independent accountants, describing: their internal quality control procedures and any material issues raised by the most recent internal quality control review or peer

review, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues.

10. Approve in advance all audit and non-audit services to be performed by the independent accountants.
11. In consultation with management, the independent accountants and the internal auditors, review the reliability and integrity of the Company's financial accounting policies, financial reporting processes, and disclosure and disclosure control practices and procedures.
12. Oversee the Company's major financial statement exposures and the steps management is taking to monitor and control these exposures, discuss with management the Company's processes to monitor and manage the other key business risks facing the Company, and discuss the Company's policies with respect to risk assessment and risk management.
13. Review any significant disagreement among management and the independent accountants or the internal auditing department in connection with the preparation of the financial statements.
14. Review annually the audit plans of both the internal auditor and the independent accountants.
15. Review periodically with the independent accountants and internal auditors any audit problems or difficulties and management's responses.
16. Review with the Company's counsel any legal matter, including environmental matters, that could have a significant effect on the Company.
17. Receive reports from the independent accountants and management regarding, and review and discuss the adequacy and effectiveness of, the Company's internal controls over financial reporting, including any significant deficiencies in internal controls and significant changes in internal controls over financial reporting brought to the attention of the Audit Committee by the independent accountants or management.
18. Establish and oversee procedures for the receipt, retention and treatment of complaints received regarding accounting, internal accounting controls, auditing or federal securities law matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting, internal accounting controls, auditing or federal securities law matters.
19. Establish and oversee procedures for compliance with and reporting violations of *The Kroger Co. Policy on Business Ethics* and at least annually meet to review the implementation and effectiveness of the Company's compliance programs with the Vice President & Chief Ethics and Compliance Officer, who has the authority to

communicate directly to the Audit Committee, promptly, about reports of actual and alleged violations of the *Policy on Business Ethics*, including any matters involving criminal conduct or potential criminal conduct.

20. Set clear hiring policies for employees or former employees of the independent accountants.
21. Review and assess, annually or more frequently as circumstances dictate, the adequacy of this Charter and recommend changes to the Corporate Governance Committee as appropriate.
22. Review and approve related person transactions, as defined in SEC rules, and establish and oversee policies and procedures for the review, approval, and ratification of related person transactions.
23. Annually evaluate the Audit Committee's performance and discuss the evaluation with the full Board of Directors.

## V. OUTSIDE ADVISORS

The Audit Committee may retain at the Company's expense independent counsel, accountants or other advisors for such purposes as the Audit Committee, in its sole discretion, determines to be appropriate, and will receive appropriate funding from the Company, as determined by the Audit Committee, for the payment of compensation to any such advisors and for the payment of ordinary administrative expenses that are necessary or appropriate in carrying out the Committee's duties.

Company contact: Dennis H. Hackett