

## Information Concerning the Board of Directors

### Board Leadership Structure and Lead Independent Director

The Board is currently composed of eleven independent non-employee directors and one management director, Mr. McMullen, the Chairman and CEO. Kroger has a balanced governance structure in which independent directors exercise meaningful and vigorous oversight.

In addition, as provided in the *Guidelines on Issues of Corporate Governance* (the “*Guidelines*”), the Board has designated one of the independent directors as Lead Director. The Lead Director works with the Chairman to share governance responsibilities, facilitate the development of Kroger’s strategy and grow shareholder value. The Lead Director serves a variety of roles, consistent with current best practices, including:

- reviewing and approving Board meeting agendas, materials and schedules to confirm the appropriate topics are reviewed and sufficient time is allocated to each;
- serving as the principal liaison between the Chairman, management and the non-management directors;
- presiding at the executive sessions of independent directors and at all other meetings of the Board at which the Chairman is not present;
- calling meetings of independent directors at any time; and
- serving as the Board’s representative for any consultation and direct communication, following a request, with major shareholders.

The Lead Director carries out these responsibilities in numerous ways, including:

- facilitating communication and collegiality among the Board;
- soliciting direct feedback from non-executive directors;
- overseeing the succession process, including site visits and meeting with a wide range of corporate and division management associates;
- meeting with the CEO frequently to discuss strategy;
- serving as a sounding board and advisor to the CEO; and
- discussing Company matters with other directors between meetings.

Unless otherwise determined by the Board, the chair of the Corporate Governance Committee is designated as the Lead Director. Robert Beyer, an independent director and the chair of the Corporate Governance Committee, is currently the Lead Director. Mr. Beyer is an effective Lead Director for Kroger due to, among other things, his independence, his deep strategic and operational understanding of Kroger obtained while serving as a Kroger director, his insight into corporate governance, his experience on the boards of other large publicly traded companies, and his commitment and engagement to carrying out the roles and responsibilities of the Lead Director.

With respect to the roles of Chairman and CEO, the *Guidelines* provide that the Board will determine when it is in the best interests of Kroger and our shareholders for the roles to be separated or combined, and the Board exercises its discretion as it deems appropriate in light of prevailing circumstances. Upon retirement of our former Chairman, David B. Dillon, on December 31, 2014, the Board determined that it is in the best interests of Kroger and our shareholders for one person to serve as the Chairman and CEO, as was the case from 2004 through 2013. The Board believes that this leadership structure improves the Board’s ability to focus on key policy and operational issues and helps the Company operate in the long-term interests of shareholders. Additionally, this structure provides an effective balance between strong Company leadership and appropriate safeguards and oversight by independent directors. The Board believes that the combination or separation of these positions should continue to be considered as part of the succession planning process, as was the case in 2003 and 2014 when the roles were separated.

The Board and each of its committees conduct an annual self-evaluation to determine whether the Board is functioning effectively at each level. As part of this annual self-evaluation, the Board assesses whether the current leadership structure continues to be appropriate for Kroger and its shareholders. The *Guidelines* provide the flexibility for the Board to modify our leadership structure in the future as appropriate. We believe that Kroger, like many U.S. companies, has been well-served by this flexible leadership structure.

### Committees of the Board of Directors

To assist the Board in undertaking its responsibilities, and to allow deeper engagement in certain areas of company oversight, the Board has established five standing committees: Audit, Compensation, Corporate Governance, Financial Policy and Public Responsibilities. All committees are composed exclusively of independent directors, as determined under the NYSE listing standards. The current charter of each Board committee is available on our website at [ir.kroger.com](http://ir.kroger.com) under Corporate Governance – Committee Composition.

Name of Committee, Number of Meetings, and Current Members	Committee Functions
<p><b>Audit Committee</b></p> <p><b>Meetings in 2015:</b> 5</p> <p><b>Members:</b>            Ronald L. Sargent, <i>Chair</i>            Anne Gates            Susan J. Kropf            Susan M. Phillips            Bobby S. Shackouls</p>	<ul style="list-style-type: none"> <li>• Oversees the Company’s financial reporting and accounting matters, including review of the Company’s financial statements and the audit thereof, the Company’s financial reporting and accounting process, and the Company’s systems of internal control over financial reporting</li> <li>• Selects, evaluates and oversees the compensation and work of the independent registered public accounting firm and reviews its performance, qualifications, and independence</li> <li>• Oversees and evaluates the Company’s internal audit function, including review of its audit plan, policies and procedures and significant findings</li> <li>• Oversees risk assessment and risk management, including review of legal or regulatory matters that could have a significant effect on the Company</li> <li>• Reviews and monitors the Company’s compliance programs, including the whistleblower program</li> </ul>
<p><b>Compensation Committee</b></p> <p><b>Meetings in 2015:</b> 5</p> <p><b>Members:</b>            Clyde R. Moore, <i>Chair</i>            Jorge P. Montoya            Susan M. Phillips            James A. Runde</p>	<ul style="list-style-type: none"> <li>• Recommends for approval by the independent directors the compensation of the CEO, and determines the compensation of other senior management and directors</li> <li>• Administers the Company’s executive compensation policies and programs, including determining grants of equity awards under the plans</li> <li>• Has sole authority to retain and direct the committee’s compensation consultant</li> <li>• Assists the full Board with senior management succession planning</li> </ul>

Name of Committee, Number of Meetings, and Current Members	Committee Functions
<p><b>Corporate Governance Committee</b></p> <p><b>Meetings in 2015:</b> 2</p> <p><b>Members:</b>            Robert D. Beyer, <i>Chair</i>            David B. Lewis            Clyde R. Moore            Bobby S. Shackouls</p>	<ul style="list-style-type: none"> <li>• Oversees the Company's corporate governance policies and procedures</li> <li>• Develops criteria for selecting and retaining directors and identifies and recommends qualified candidates to be director nominees</li> <li>• Designates membership and chairs of Board committees</li> <li>• Reviews the Board's performance and director independence</li> <li>• Reviews, along with the other independent directors, the performance of the CEO</li> </ul>
<p><b>Financial Policy Committee</b></p> <p><b>Meetings in 2015:</b> 2</p> <p><b>Members:</b>            James A. Runde, <i>Chair</i>            Nora A. Aufreiter            Robert D. Beyer            Susan J. Kropf</p>	<ul style="list-style-type: none"> <li>• Reviews and recommends financial policies and practices</li> <li>• Oversees management of the Company's financial resources</li> <li>• Reviews the Company's annual financial plan, significant capital investments, plans for major acquisitions or sales, issuance of new common or preferred stock, dividend policy, creation of additional debt and other capital structure considerations including additional leverage or dilution in ownership</li> <li>• Monitors the investment management of assets held in pension and profit sharing plans administered by the Company</li> </ul>
<p><b>Public Responsibilities Committee</b></p> <p><b>Meetings in 2015:</b> 2</p> <p><b>Members:</b>            Jorge P. Montoya, <i>Chair</i>            Nora A. Aufreiter            Anne Gates            Ronald L. Sargent</p>	<ul style="list-style-type: none"> <li>• Reviews the Company's policies and practices affecting its social and public responsibility as a corporate citizen, including: community relations, charitable giving, supplier diversity, sustainability, government relations, political action, consumer and media relations, food and pharmacy safety and the safety of customers and employees</li> <li>• Reviews and examines the Company's evaluation of and response to changing public expectations and public issues affecting the business</li> </ul>

**Director Nominee Selection Process**

The Corporate Governance Committee is responsible for recommending to the Board a slate of nominees for election at each annual meeting of shareholders. The Corporate Governance Committee recruits candidates for Board membership through its own efforts and through recommendations from other directors and shareholders. In addition, the Corporate Governance Committee has retained an independent search firm to assist in identifying and recruiting director candidates who meet the criteria established by the Corporate Governance Committee.

These criteria are:

- Demonstrated ability in fields considered to be of value in the deliberation and long-term planning of the Board, including business management, public service, education, technology, law and government;
- Highest standards of personal character and conduct;
- Willingness to fulfill the obligations of directors and to make the contribution of which he or she is capable, including regular attendance and participation at Board and committee meetings, and preparation for all meetings, including review of all meeting materials provided in advance of the meeting; and
- Ability to understand the perspectives of Kroger's customers, taking into consideration the diversity of our customers, including regional and geographic differences.

The Corporate Governance Committee considers racial, ethnic and gender diversity to be important elements in promoting full, open and balanced deliberations of issues presented to the Board. The Corporate Governance Committee considers director candidates that help the Board reflect the diversity of our shareholders, associates, customers and the communities in which we operate. Some consideration also is given to the geographic location of director candidates in order to provide a reasonable distribution of members from Kroger's operating areas.

At least annually, the Corporate Governance Committee actively engages in Board succession planning. The Corporate Governance Committee takes into account the Board and committee evaluations regarding the specific backgrounds, skills, and experiences that would contribute to overall Board and committee effectiveness as well as the future needs of the Board and its committees in light of Kroger's current and future business strategies and the skills and qualifications of directors who are expected to retire in the future.

### **Candidates Nominated by Shareholders**

The Corporate Governance Committee will consider shareholder recommendations for nominees for membership on the Board of Directors. If shareholders wish to nominate a person or persons for election to the Board at our 2017 annual meeting, written notice must be submitted to Kroger's Secretary, and received at our executive offices, in accordance with Kroger's Regulations, not later than March 28, 2017. Such notice should include the name, age, business address and residence address of such person, the principal occupation or employment of such person, the number of Kroger common shares owned of record or beneficially by such person and any other information relating to the person that would be required to be included in a proxy statement relating to the election of directors. The Secretary will forward the information to the Corporate Governance Committee for its consideration. The Corporate Governance Committee will use the same criteria in evaluating candidates submitted by shareholders as it uses in evaluating candidates identified by the Corporate Governance Committee, as described above.

### **Corporate Governance Guidelines**

The Board has adopted the *Guidelines*. The *Guidelines*, which include copies of the current charters for each of the five standing committees of the Board, are available on our website at [ir.kroger.com](http://ir.kroger.com) under Corporate Governance – Highlights. Shareholders may obtain a copy of the *Guidelines* by making a written request to Kroger's Secretary at our executive offices.

### **Independence**

The Board has determined that all of the non-employee directors have no material relationships with Kroger and, therefore, are independent for purposes of the New York Stock Exchange listing standards. The Board made its determination based on information furnished by all members regarding their relationships with Kroger and its management, and other relevant information. After reviewing the information, the Board determined that all of the non-employee directors were independent because:

- they all satisfied the criteria for independence set forth in Rule 303A.02 of the NYSE Listed Company Manual,
- the value of any business transactions between Kroger and entities with which the directors are affiliated falls below the thresholds identified by the NYSE listing standards, and
- none had any material relationships with Kroger except for those arising directly from their performance of services as a director for Kroger.

In determining that Mr. Sargent is independent, the Board considered transactions during fiscal 2015 between Kroger and Staples, Inc. (where Mr. Sargent is Chairman and CEO) and determined that the amount of business fell below the thresholds set by the NYSE listing standards. The transactions involved the purchase of goods by Kroger in the ordinary course of business totaling approximately \$12 million and represented less than 0.06% of Staples' annual consolidated gross revenue. Kroger periodically employs a bidding process or negotiations following a benchmarking of costs of products from various vendors for the items purchased from Staples and awards the business based on the results of that process.

## **Audit Committee Expertise**

The Board has determined that Anne Gates, Susan M. Phillips and Ronald L. Sargent, independent directors who are members of the Audit Committee, are “audit committee financial experts” as defined by applicable SEC regulations and that all members of the Audit Committee are “financially literate” as that term is used in the NYSE listing standards and are independent in accordance with Rule 10A-3 of the Securities Exchange Act of 1934.

## **Code of Ethics**

The Board has adopted *The Kroger Co. Policy on Business Ethics*, applicable to all officers, employees and directors, including Kroger’s principal executive, financial and accounting officers. The *Policy* is available on our website at [ir.kroger.com](http://ir.kroger.com) under Corporate Governance – Highlights. Shareholders may also obtain a copy of the *Policy* by making a written request to Kroger’s Secretary at our executive offices.

## **Communications with the Board**

The Board has established two separate mechanisms for shareholders and interested parties to communicate with the Board. Any shareholder or interested party who has concerns regarding accounting, improper use of Kroger assets or ethical improprieties may report these concerns via the toll-free hotline (800-689-4609) or email address ([helpline@kroger.com](mailto:helpline@kroger.com)) established by the Board’s Audit Committee. The concerns are investigated by Kroger’s Vice President of Auditing and reported to the Audit Committee as deemed appropriate by the Vice President of Auditing.

Shareholders or interested parties also may communicate with the Board in writing directed to Kroger’s Secretary at our executive offices. Communications relating to personnel issues or our ordinary business operations, or seeking to do business with us, will be forwarded to the business unit of Kroger that the Secretary deems appropriate. All other communications will be forwarded to the chair of the Corporate Governance Committee for further consideration. The chair of the Corporate Governance Committee will take such action as he or she deems appropriate, which may include referral to the full Corporate Governance Committee or the entire Board.

## **Attendance**

The Board held five meetings in fiscal year 2015. During fiscal year 2015, all incumbent directors attended at least 75% of the aggregate number of meetings of the Board and committees on which that director served. Members of the Board are expected to use their best efforts to attend all annual meetings of shareholders. All eleven members then serving on the Board attended last year’s annual meeting.

## **Independent Compensation Consultants**

The Compensation Committee directly engages a compensation consultant from Mercer Human Resource Consulting to advise the Compensation Committee in the design of Kroger’s executive compensation. In 2015, Kroger paid that consultant \$390,767 for work performed for the Compensation Committee. Kroger, on management’s recommendation, retained the parent and affiliated companies of Mercer Human Resource Consulting to provide other services for Kroger in 2015, for which Kroger paid \$2,339,577. These other services primarily related to insurance claims (for which Kroger was reimbursed by insurance carriers as claims were adjusted), insurance brokerage and bonding commissions provided by Marsh USA Inc., and pension plan compliance and actuary services provided by Mercer Inc. Kroger also made payments to affiliated companies for insurance premiums that were collected by the affiliated companies on behalf of insurance carriers, but these amounts are not included in the totals referenced above, as the amounts were paid over to insurance carriers for services provided by those carriers.

Although neither the Compensation Committee nor the Board expressly approved the other services, after taking into consideration the NYSE's independence standards and the SEC rules, the Compensation Committee determined that the consultant is independent and his work has not raised any conflict of interest because:

- the consultant was first engaged by the Compensation Committee before he became associated with Mercer;
- the consultant works exclusively for the Compensation Committee and not for our management;
- the consultant does not benefit from the other work that Mercer's parent and affiliated companies perform for Kroger; and
- neither the consultant nor the consultant's team perform any other services for Kroger.

The Compensation Committee may engage an additional compensation consultant from time to time as it deems advisable.

### **Compensation Committee Interlocks and Insider Participation**

No member of the Compensation Committee was an officer or employee of Kroger during fiscal 2015, and no member of the Compensation Committee is a former officer of Kroger or was a party to any disclosable related person transaction involving Kroger. During fiscal 2015, none of our executive officers served on the board of directors or on the compensation committee of any other entity that has or had executive officers serving as a member of Kroger's Board of Directors or Compensation Committee of the Board.

### **Board Oversight of Enterprise Risk**

While risk management is primarily the responsibility of Kroger's management team, the Board is responsible for strategic planning and overall supervision of our risk management activities. The Board's oversight of the material risks faced by Kroger occurs at both the full Board level and at the committee level.

The Board receives presentations throughout the year from various department and business unit leaders that include discussion of significant risks as necessary. At each Board meeting, the Chairman and CEO addresses matters of particular importance or concern, including any significant areas of risk that require Board attention. Additionally, through dedicated sessions focusing entirely on corporate strategy, the full Board reviews in detail Kroger's short- and long-term strategies, including consideration of significant risks facing Kroger and their potential impact. The independent directors, in executive sessions led by the Lead Director, address matters of particular concern, including significant areas of risk, that warrant further discussion or consideration outside the presence of Kroger employees. At the committee level, reports are given by management subject matter experts to each committee on risks within the scope of their charters.

The Audit Committee has oversight responsibility not only for financial reporting of Kroger's major financial exposures and the steps management has taken to monitor and control those exposures, but also for the effectiveness of management's processes that monitor and manage key business risks facing Kroger, as well as the major areas of risk exposure and management's efforts to monitor and control that exposure. The Audit Committee also discusses with management its policies with respect to risk assessment and risk management.

Management, including our Chief Ethics and Compliance Officer, provides regular updates throughout the year to the respective Board committees regarding management of the risks they oversee, and each of these committees reports on risk to the full Board at each regular meeting of the Board.

We believe that our approach to risk oversight, as described above, optimizes our ability to assess inter-relationships among the various risks, make informed cost-benefit decisions, and approach emerging risks in a proactive manner for Kroger. We also believe that our risk structure complements our current Board leadership structure, as it allows our independent directors, through the five fully independent Board committees, and in executive sessions of independent directors led by the Lead Director, to exercise effective oversight of the actions of management, led by Mr. McMullen as Chairman of the Board and CEO, in identifying risks and implementing effective risk management policies and controls.