

## Compensation Discussion and Analysis

### Executive Summary

#### Named Executive Officers

This Compensation Discussion and Analysis provides a discussion and analysis of our compensation program for our named executive officers (“NEOs”). For the 2015 fiscal year ended January 30, 2016, the NEOs were:

Name	Title
W. Rodney McMullen	Chairman and Chief Executive Officer
J. Michael Schlotman	Executive Vice President and Chief Financial Officer
Michael J. Donnelly	Executive Vice President of Merchandising
Christopher T. Hjelm	Executive Vice President and Chief Information Officer
Frederick J. Morganthall II.	Executive Vice President of Retail Operations

Messrs. Schlotman, Donnelly, Hjelm and Morganthall were each promoted to the position of Executive Vice President effective September 1, 2015.

#### Executive Compensation in Context: Our Growth Plan, Financial Strategy and Fiscal Year 2015 Results

Kroger’s growth plan includes four key performance indicators: positive identical supermarket sales without fuel (“ID Sales”) growth, slightly expanding non-fuel first in, first out (“FIFO”) operating margin, growing return on invested capital (“ROIC”), and annual market share growth. In 2015, we met or exceeded our goals for each of these performance indicators:

- *ID Sales.* ID Sales increased 5.0% from 2014. Through 2015, we have achieved 49 consecutive quarters of positive ID Sales growth.
- *ROIC.* Our ROIC for 2015 was 13.93%, compared to 13.76% for 2014, excluding Roundy’s (acquired in December 2015).
- *Non-Fuel FIFO Operating Margin.* We exceeded our commitment to slightly expand FIFO operating margin, excluding fuel and Roundy’s on a rolling four quarters basis.
- *Market Share.* Our market share grew for an eleventh consecutive year.

Other highlights of the year include:

- Net earnings per diluted share were \$2.06.
- We exceeded our long-term, net earnings per diluted share growth rate of 8-11% in 2015.
- We reduced operating costs excluding fuel as a percentage of sales for the eleventh consecutive year.

Also during 2015, we met all of our objectives with regard to our financial strategy:

- *Maintain our current investment grade debt rating.* Our net total debt to adjusted EBITDA ratio decreased, even while investing approximately \$870 million in our merger with Roundy’s late in the year.
- *Repurchase shares.* In 2015, we repurchased \$703 million in Kroger common shares.
- *Fund the dividend.* We returned \$385 million to shareholders through our dividend in 2015, and we increased our dividend for the ninth consecutive year since we reinstated our dividend in 2006.
- *Increase capital investments.* Our 2015 cash flow generation was strong, allowing us to make \$3.3 billion in capital investments during the year, excluding mergers, acquisitions and purchases of leased facilities.

The compensation of our NEOs in 2015 reflects Kroger’s short-term and long-term goals and outcomes. Total compensation for the year is an indicator of how well Kroger performed compared to our business plan, reflecting how our compensation program responds to business challenges and the marketplace.

## Summary of Key Compensation Practices

What we do:	What we do not do:
<ul style="list-style-type: none"> <li>✓ Align pay and performance</li> <li>✓ Significant share ownership guidelines of 5x salary for our CEO</li> <li>✓ Multiple performance metrics under our short- and long-term performance-based plans discourage excessive risk taking</li> <li>✓ Balance between short-term and long-term compensation discourages short-term risk taking at the expense of long-term results</li> <li>✓ Engagement of an independent compensation consultant</li> <li>✓ Robust clawback policy</li> <li>✓ Ban on hedging and pledging of Kroger securities</li> <li>✓ Limited perquisites</li> </ul>	<ul style="list-style-type: none"> <li>✗ No employment contracts with executives</li> <li>✗ No special severance or change of control programs applicable only to executive officers</li> <li>✗ No gross-up payments were made to executives under Kroger plans</li> <li>✗ No re-pricing or backdating of options</li> <li>✗ No guaranteed salary increases or bonuses</li> <li>✗ No payment of dividends or dividend equivalents until performance units are earned</li> <li>✗ No single-trigger cash severance benefits upon a change in control</li> </ul>

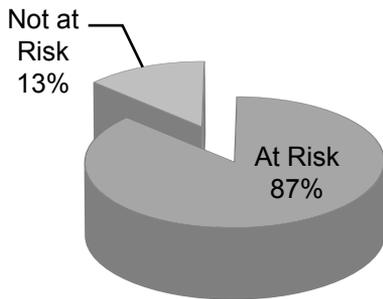
## Summary of Fixed and At-Risk Pay Elements

The fixed and at-risk pay elements of NEO compensation are reflected in the following table and charts. The amounts used in the charts are based on the amounts reported in the Summary Compensation Table for 2015, excluding the Change in Pension Value and Nonqualified Deferred Compensation Earnings column.

Pay Element	Fixed		At-Risk		
	Annual	Annual	Annual	Long-Term	Long-Term
	<u>Base Salary</u>	<u>All Other Compensation</u>	<u>Annual Cash Bonus</u>	<u>Long-Term Cash Bonus and Performance Units (the "Long-Term Incentive Plan")</u>	<u>Restricted Stock and Stock Options (time-based equity awards)</u>
Description	<ul style="list-style-type: none"> <li>• Fixed cash compensation</li> <li>• Reviewed annually</li> <li>• No automatic or guaranteed increases</li> </ul>	<ul style="list-style-type: none"> <li>• Insurance premiums paid by the Company</li> <li>• Dividends paid on unvested restricted stock</li> <li>• Matching and automatic contributions to defined contribution benefit plans</li> </ul>	<ul style="list-style-type: none"> <li>• Variable cash compensation</li> <li>• Payout depends on actual performance against annually established goals</li> </ul>	<ul style="list-style-type: none"> <li>• Variable compensation payable as long-term cash bonus and performance units</li> <li>• 3-year performance period</li> <li>• Payout depends on actual performance against established goals</li> </ul>	<ul style="list-style-type: none"> <li>• Stock options vest over 5 years</li> <li>• Exercise price of stock options is closing price on day of grant</li> <li>• Restricted stock vests over 3 or 5 years</li> </ul>

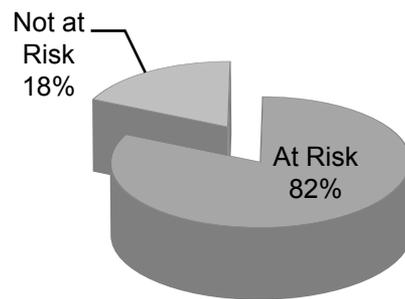
	Fixed		At-Risk		
	Annual		Long-Term		
<b>Purpose</b>	<ul style="list-style-type: none"> <li>• Provide a base level of cash compensation</li> <li>• Recognize individual performance, scope of responsibility and experience</li> </ul>	<ul style="list-style-type: none"> <li>• Provide benefits competitive with peers</li> </ul>	<ul style="list-style-type: none"> <li>• Metrics and targets align with annual business goals</li> <li>• Rewards and incentivizes approximately 13,000 Kroger employees, including NEOs, for annual performance on key financial and operational measures</li> </ul>	<ul style="list-style-type: none"> <li>• Metrics and targets align with long-term business strategy</li> <li>• Rewards and incentivizes approximately 160 key employees, including the NEOs, for long-term performance on key financial and operational measures</li> <li>• Drives sustainable performance that ties to long-term value creation for shareholders</li> </ul>	<ul style="list-style-type: none"> <li>• Retain executive talent</li> <li>• Align the interests of executives with long-term shareholder value</li> <li>• Provide direct alignment to stock price appreciation</li> </ul>

**CEO**



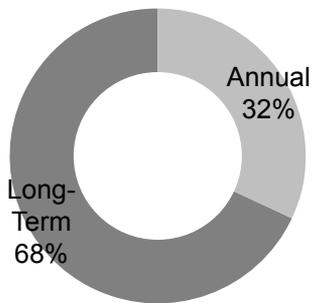
87% of CEO pay is At Risk

**Average of Other NEOs**



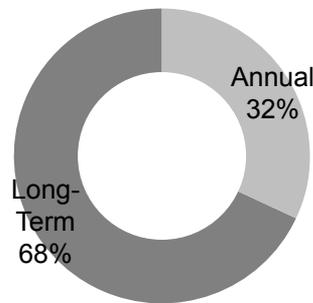
82% of Other NEO pay is At Risk

**CEO**

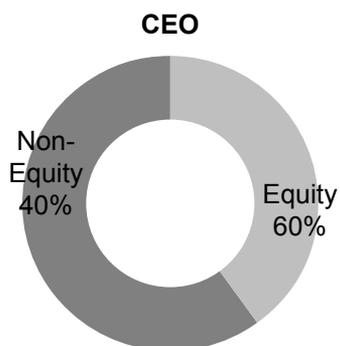


68% of CEO pay is Long-Term

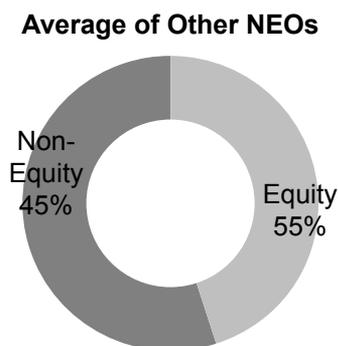
**Average of Other NEOs**



68% of Other NEO pay is Long-Term



60% of CEO pay is Equity



55% of Other NEO pay is Equity

The following discussion and analysis addresses the compensation of the NEOs and the factors considered by the Compensation Committee in setting compensation for the NEOs and, in the case of the CEO's compensation, making recommendations to the independent directors. Additional detail is provided in the compensation tables and the accompanying narrative disclosures that follow this discussion and analysis.

### **Our Compensation Philosophy and Objectives**

As one of the largest retailers in the world, our executive compensation philosophy is to attract and retain the best management talent and to motivate these employees to achieve our business and financial goals. Kroger's incentive plans are designed to reward the actions that lead to long-term value creation. The Compensation Committee believes that there is a strong link between our business strategy, the performance metrics in our short-term and long-term incentive programs, and the business results that drive shareholder value.

We believe our strategy creates value for shareholders in a manner consistent with our focus on our core values: honesty, integrity, respect, inclusion, diversity and safety.

To achieve our objectives, the Compensation Committee seeks to ensure that compensation is competitive and that there is a direct link between pay and performance. To do so, it is guided by the following principles:

- A significant portion of pay should be performance-based, with the percentage of total pay tied to performance increasing proportionally with an executive's level of responsibility.
- Compensation should include incentive-based pay to drive performance, providing superior pay for superior performance, including both a short- and long-term focus.
- Compensation policies should include an opportunity for, and a requirement of, equity ownership to align the interests of executives and shareholders.
- Components of compensation should be tied to an evaluation of business and individual performance measured against metrics that directly drive our business strategy.

The Compensation Committee has three related objectives regarding compensation:

- First, the Compensation Committee believes that compensation must be designed to attract and retain those best suited to fulfill the challenging roles that officers play at Kroger.
- Second, a majority of compensation should help align the interests of our officers with the interests of our shareholders.
- Third, compensation should create strong incentives for the officers to achieve the annual business plan targets established by the Board, and to achieve Kroger's long-term strategic objectives.

## Components of Executive Compensation at Kroger

Compensation for our NEOs is comprised of the following:

- Annual Compensation:
  - Salary
  - Performance-Based Annual Cash Bonus
- Long-Term Compensation:
  - Performance-Based Long-Term Incentive Plan (consisting of a long-term cash bonus and performance units)
  - Non-qualified stock options
  - Restricted stock
- Retirement and other benefits
- Limited perquisites

The annual and long-term performance-based compensation awards described herein were made pursuant to our 2011 Long-Term Incentive and Cash Bonus Plan and our 2014 Long-Term Incentive and Cash Bonus Plan, each of which was approved by our shareholders in 2011 and 2014, respectively.

### ***Annual Compensation – Salary***

Our philosophy with respect to salary is to provide a sufficient and stable source of fixed cash compensation. All of our compensation cannot be at-risk or long-term. It is important to provide a meaningful annual salary to attract and retain a high caliber leadership team, and to have an appropriate level of cash compensation that is not variable.

Salaries for the NEOs (with the exception of the CEO) are established each year by the Compensation Committee, in consultation with the CEO. The CEO's salary is established by the independent directors. Salaries for the NEOs are reviewed annually in June.

The amount of each NEO's salary is influenced by numerous factors including:

- An assessment of individual contribution in the judgment of the CEO and the Compensation Committee (or, in the case of the CEO, of the Compensation Committee and the rest of the independent directors);
- Benchmarking with comparable positions at peer group companies;
- Tenure in role; and
- Relationship to other Kroger executives' salaries.

The assessment of individual contribution is a qualitative determination, based on the following factors:

- Leadership;
- Contribution to the officer group;
- Achievement of established objectives, to the extent applicable;
- Decision-making abilities;
- Performance of the areas or groups directly reporting to the officer;
- Increased responsibilities;
- Strategic thinking; and
- Furtherance of Kroger's core values.

The amounts shown below reflect the salaries of the NEOs effective at the end of each fiscal year.

	<b>Salary</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
W. Rodney McMullen <sup>(1)</sup> .....	\$ 1,100,000	\$ 1,200,000	\$ 1,240,000
J. Michael Schlotman <sup>(2)</sup> .....	\$ 735,000	\$ 760,000	\$ 840,000
Michael J. Donnelly <sup>(2)</sup> .....	\$ 643,560	\$ 662,900	\$ 750,000
Christopher T. Hjelm <sup>(2)(3)</sup> .....			\$ 700,000
Frederick J. Morganthall II <sup>(2)(3)</sup> .....			\$ 670,000

- (1) Mr. McMullen was named CEO of Kroger as of January 1, 2014 and Chairman of the Board as of January 1, 2015.
- (2) Messrs. Schlotman, Donnelly, Hjelm and Morganthall were each promoted to the position of Executive Vice President effective September 1, 2015.
- (3) Messrs. Hjelm and Morganthall became NEOs in 2015.

### **Annual Compensation – Performance-Based Annual Cash Bonus**

The NEOs, along with approximately 13,000 of their fellow Kroger associates, participate in a performance-based annual cash bonus plan. Approximately 7,000 of those associates are eligible for the same plan as the NEOs. The remaining associates are eligible for an annual cash bonus plan of which 40% is based on the Kroger corporate plan and 60% is based on the metrics and targets for their respective supermarket division or operating unit of the Company.

Over time, the Compensation Committee and our independent directors have placed an increased emphasis on our strategic plan by making the targets more difficult to achieve. The annual cash bonus plan is structured to encourage high levels of performance. A threshold level of performance must be achieved before any payouts are earned, while a payout of up to 200% of target can be achieved for superior performance.

The amount of annual cash bonus that the NEOs earn each year is based upon Kroger's performance compared to targets established by the Compensation Committee and the independent directors based on the business plan adopted by the Board of Directors.

The annual cash bonus plan is designed to encourage decisions and behavior that drive the annual operating results and the long-term success of the Company. Kroger's success is based on a combination of factors, and accordingly the Compensation Committee believes that it is important to encourage behavior that supports multiple elements of our business strategy.

### **Establishing Annual Cash Bonus Potentials**

The Compensation Committee establishes annual cash bonus potentials for each NEO, other than the CEO, whose annual cash bonus potential is established by the independent directors. Actual payouts, which can exceed 100% of the potential amounts but may not exceed 200% of the potential amounts, represent the extent to which performance meets or exceeds the goals established by the Compensation Committee. Actual payouts may be as low as zero if performance does not meet the goals established by the Compensation Committee.

The Compensation Committee considers multiple factors in making its determination or recommendation as to annual cash bonus potentials:

- The individual's level within the organization, as the Compensation Committee believes that more senior executives should have a more substantial part of their compensation dependent upon Kroger's performance;
- The individual's salary, as the Compensation Committee believes that a significant portion of a NEO's total cash compensation should be dependent upon Kroger's performance;

- The officer's level in the organization and the internal relationship of annual cash bonus potentials within Kroger;
- Individual performance;
- The recommendation of the CEO for all NEOs other than the CEO; and
- The compensation consultant's benchmarking report regarding annual cash bonus potential and total compensation awarded by our peer group.

The annual cash bonus potential in effect at the end of the fiscal year for each NEO is shown below. Actual annual cash bonus payouts are prorated to reflect changes, if any, to bonus potentials during the year.

	<b>Annual Cash Bonus Potential</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
W. Rodney McMullen <sup>(1)</sup> .....	\$ 1,500,000	\$ 1,600,000	\$ 1,650,000
J. Michael Schlotman <sup>(2)</sup> .....	\$ 550,000	\$ 550,000	\$ 600,000
Michael J. Donnelly <sup>(2)</sup> .....	\$ 425,000	\$ 550,000	\$ 600,000
Christopher T. Hjelm <sup>(2)(3)</sup> .....			\$ 600,000
Frederick J. Morganthall II <sup>(2)(3)</sup> .....			\$ 600,000

- (1) Mr. McMullen was named CEO of Kroger as of January 1, 2014 and Chairman of the Board as of January 1, 2015.
- (2) Messrs. Schlotman, Donnelly, Hjelm and Morganthall were each promoted to the position of Executive Vice President effective September 1, 2015.
- (3) Messrs. Hjelm and Morganthall became NEOs in 2015.

**Annual Cash Bonus Plan Metrics and Connection to our Business Plan**

The annual cash bonus plan has the following measurable performance metrics, all of which are interconnected, and individually necessary to sustain our business model and achieve our growth strategy:

<b>Metric</b>	<b>Weight</b>	<b>Rationale for Use</b>
<i>ID Sales</i>	30%	<ul style="list-style-type: none"> <li>• ID Sales represent sales, without fuel, at our supermarkets that have been open without expansion or relocation for five full quarters.</li> <li>• We believe this is the best measure of the real growth of our sales across the enterprise. A key driver of our model is strong ID Sales; it is the engine that fuels our growth.</li> </ul>
<i>EBITDA without Fuel<sup>(1)</sup></i>	30%	<ul style="list-style-type: none"> <li>• EBITDA is an important way for us to evaluate our earnings from operating the business; we cannot achieve solid EBITDA without a strong operating model. This is one of the closest measures we have for how much cash our business generates after operating expenses.</li> <li>• Unlike earnings per share, which can be affected by management decisions on share buybacks, this measure of earnings is relevant for all of our approximately 13,000 associates who are eligible for the annual cash bonus plan.</li> </ul>

<b>Metric</b>	<b>Weight</b>	<b>Rationale for Use</b>
<i>Customer 1<sup>st</sup> Strategy</i>	30%	<ul style="list-style-type: none"> <li>• Kroger's Customer 1<sup>st</sup> Strategy is the focus, in all of Kroger's decision-making, on the customer. The "Four Keys" of Kroger's Customer 1<sup>st</sup> Strategy are People, Products, Shopping Experience and Price.</li> <li>• This proprietary metric measures the improvement in how Kroger is perceived by customers in each of the Four Keys.</li> <li>• Annual cash bonus payout is based on certain elements of the Customer 1<sup>st</sup> Plan, to highlight annual objectives that are intended to receive the most focused attention in that year.</li> </ul>
<i>Total Operating Costs as a Percentage of Sales, without Fuel<sup>(2)</sup></i>	10%	<ul style="list-style-type: none"> <li>• An essential part of Kroger's model is to increase productivity and efficiency, and to take costs out of the business in a sustainable way.</li> <li>• We strive to be disciplined, so that as the Company grows, expenses are properly managed.</li> </ul>
<b>Total of 4 Metrics</b>	<b>100%</b>	
Fuel Bonus	5% "Kicker"	<ul style="list-style-type: none"> <li>• An additional 5% is earned if Kroger achieves three goals with respect to its supermarket fuel operations: targeted fuel EBITDA, an increase in total gallons sold, and additional fuel centers placed in service.</li> <li>• The fuel bonus was added to the annual cash bonus plan as an incentive to encourage the addition of fuel centers at a faster rate, while maintaining fuel EBITDA and fuel gallon growth.</li> <li>• The fuel bonus of 5% is only available if all three measures are met. If any of the three fuel goals are not met, no portion of the fuel bonus is earned.</li> </ul>

(1) EBITDA is calculated as operating profit plus depreciation and amortization, excluding fuel and consolidated variable interest entities.

(2) Total Operating Costs is calculated as the sum of (i) operating, general and administrative expenses, depreciation and amortization, and rent expense, without fuel, and (ii) warehouse and transportation costs, shrink, and advertising expenses, for our supermarket operations, without fuel.

The use of these four primary metrics creates checks and balances on the various behaviors and decisions that impact the long-term success of the Company. The ID Sales, EBITDA without fuel and Customer 1<sup>st</sup> Strategy metrics are weighted equally to highlight the need to simultaneously achieve all three metrics in order to maintain our growth.

We aligned the weighting of ID Sales and EBITDA without fuel metrics to emphasize sales growth balanced with the focus on profit. Kroger's business is not sustainable if we merely increase our ID Sales, but do not have a corresponding increase in earnings. Furthermore, payouts in the ID Sales and EBITDA without fuel segments are interrelated. Achieving the goal for both the ID Sales and EBITDA without fuel results in a higher percentage payout on both elements. Achieving the target on one, but not the other will limit the payout percentage on both.

By supporting the Customer 1<sup>st</sup> Strategy and the Four Keys, we will better connect with our customers. Our unique competitive advantage is our ability to deliver on the Four Keys, which are the items that matter most to our customers, and it is that multi-faceted achievement that we believe drives our ID Sales growth.

As we strive to achieve our aggressive growth targets, we also continuously aim to reduce our operating costs as a percentage of sales, without fuel. Productivity improvements and other reductions in operating costs allow us to reduce costs in areas that do not matter to our customers so that we can

invest money in the areas that matter the most to our customers, like the Four Keys. We carefully manage operating cost reductions to ensure a consistent delivery of the customer experience. This again shows the need to have multiple metrics, to create checks and balances on the various behavior and decisions that are influenced by the design of the bonus plan.

### Results of 2015 Annual Cash Bonus Plan

The 2015 goals established by the Compensation Committee, the actual 2015 results and the bonus percentage earned for each of the performance metrics of the annual cash bonus plan were as follows:

Performance Metrics	Goals		Actual Performance <sup>(1)</sup>	Actual Performance Compared to	Weight (B)	Amount Earned (A) x (B)
	Minimum	Target (100%)		Target (A)		
ID Sales	2.1%	4.1%	5.0%	134.3%	30%	40.3%
EBITDA without Fuel	\$4.4384 Billion	\$5.2217 Billion	\$5.2351 Billion	126.3% <sup>(2)</sup>	30%	37.9%
Customer 1 <sup>st</sup> Strategy <sup>(3)</sup>	*	*	*	*	30%	39.0%
Total Operating Costs as Percentage of Sales, without Fuel <sup>(4)</sup>	<i>Over budget by 25 basis points</i>	<i>Over budget by 5 basis points</i>	<i>Over budget by 16 basis points</i>	45.0%	10%	4.5%
Fuel Bonus <sup>(5)</sup>	[As described in the footnote below]			0% or 5%		5.0%
Total Earned						126.7%

- (1) Actual performance results exclude Roundy's because the merger occurred after the performance goals were established.
- (2) Under the terms of the plan, if ID Sales results exceed the target and EBITDA results exceed the target, then the payout percentage for reaching the EBITDA target is 125% rather than 100%.
- (3) The Customer 1<sup>st</sup> Strategy component also was established by the Compensation Committee at the beginning of the year, but is not disclosed as it is competitively sensitive.
- (4) Total Operating Costs without fuel were budgeted at 26.07% as a percentage of sales for fiscal year 2015.
- (5) An additional 5% is earned if Kroger achieves three goals with respect to its supermarket fuel operations: achievement of the targeted fuel EBITDA of \$242 million, an increase in total gallons sold of 3%, and achievement of 50 additional fuel centers placed in service. Actual results were: fuel EBITDA of \$450 million; an increase in total gallons sold of 8.53%; and 57 additional fuel centers placed in service.

Following the close of the year, the Compensation Committee reviewed Kroger's performance against each of the metrics outlined above and determined the extent to which Kroger achieved those objectives. The Compensation Committee believes our management produced outstanding results in 2015, measured against increasingly aggressive business plan objectives. Due to our performance when compared to the goals established by the Compensation Committee, and based on the business plan adopted by the Board, the NEOs and all other participants in the corporate annual cash bonus plan earned 126.7% of their bonus potentials.

In 2015, as in all years, the Compensation Committee retained discretion to reduce the annual cash bonus payout for all executive officers, including the NEOs, if the Compensation Committee determined for any reason that the bonus payouts were not appropriate given their assessment of Company performance. The independent directors retained that discretion for the CEO's bonus. The Compensation Committee and the independent directors also retained discretion to adjust the goals for each metric

under the plan should unanticipated developments arise during the year. No adjustments were made to the goals in 2015. The Compensation Committee, and the independent directors in the case of the CEO, determined that the annual cash bonus payouts earned appropriately reflected the Company's strong performance in 2015 and therefore should not be adjusted.

The actual annual cash bonus percentage payout for 2015 represented excellent performance that exceeded our business plan objectives, with the exception of operating costs as a percentage of sales, without fuel. The strong link between pay and performance is illustrated by a comparison of earned amounts under our annual cash bonus plan in previous years, such as 2009, 2010 and 2012, when payouts were less than 100%. In those years, we did not achieve all of our business plan objectives. A comparison of actual annual cash bonus percentage payouts in prior years demonstrates the variability of annual cash bonus incentive compensation and its strong link to our performance:

<b>Fiscal Year</b>	<b>Annual Cash Bonus Payout Percentage</b>
2015	126.7%
2014	121.5%
2013	104.9%
2012	85.9%
2011	138.7%
2010	53.9%
2009	38.5%
2008	104.9%
2007	128.1%
2006	141.1%

As described above, the annual cash bonus payout percentage is applied to each NEO's bonus potential, which is determined by the Compensation Committee, and the independent directors in the case of the CEO. The actual amounts of performance-based annual cash bonuses paid to the NEOs for 2015 are reported in the Summary Compensation Table in the "Non-Equity Incentive Plan Compensation" column and footnote 4 to that table.

### ***Long-Term Compensation***

The Compensation Committee believes in the importance of providing an incentive to the NEOs to achieve the long-term goals established by the Board. As such, a majority of compensation is conditioned on the achievement of the Company's long-term goals and is delivered via four long-term compensation vehicles: long-term cash bonus, performance units, stock options and restricted stock. Long-term compensation promotes long-term value creation and discourages the over-emphasis of attaining short-term goals at the expense of long-term growth.

The Compensation Committee considers several factors in determining the target value of long-term compensation awarded to the NEOs or, in the case of the CEO, recommending to the independent directors the amount awarded. These factors include:

- The compensation consultant's benchmarking report regarding long-term compensation awarded by our peer group;
- The officer's level in the organization and the internal relationship of long-term compensation awards within Kroger;
- Individual performance; and
- The recommendation of the CEO, for all NEOs other than the CEO.

Long-term incentives are structured to be a combination of performance- and time-based compensation that reflects elements of financial and stock performance to provide both retention value and alignment with company performance. Long-term cash bonus and performance unit payouts are contingent on the achievement of certain strategic performance and financial measures and incentivize recipients to promote long-term value creation and enhance shareholder wealth by supporting the Company's long-term strategic goals. Stock options and restricted stock are linked to stock performance creating alignment between executives and company shareholders. Options have no initial value and recipients only realize benefits if the value of our stock increases following the date of grant.

A majority of long-term compensation is equity-based (performance units, stock options, and restricted stock) and is tied to the future value of our common shares, further aligning the interests of our NEOs with our shareholders. All four components of long-term compensation are intended to focus executive behaviors on our long-term strategy. Each component is described in more detail below.

Amounts of long-term compensation awards issued and outstanding for the NEOs are set forth in the tables that follow this discussion and analysis.

### ***Long-Term Incentive Plan Design***

In contrast to the performance-based annual cash bonus plan, described above, which has approximately 13,000 participants, our performance-based Long-Term Incentive Plan has approximately 160 participants, including the NEOs. Each year we adopt a similar Long-Term Incentive Plan, which provides for overlapping three year performance periods. The Long-Term Incentive Plan consists of a performance-based long-term cash bonus and performance units which has the following characteristics:

- The long-term cash bonus potential is equal to the participant's salary at the end of the fiscal year preceding the plan effective date (or for those participants entering the plan after the commencement date, the date of eligibility for the plan).
- In addition, a fixed number of performance units is awarded to each participant at the beginning of the performance period (or for those participants entering the plan after the commencement date, the date of eligibility for the plan). The earned awards are paid out in Kroger common shares based on actual performance, along with a cash amount equal to the dividends paid during the performance period on the number of issued common shares ultimately earned.
- The actual long-term cash bonus and number of performance units earned are each determined based on our performance against the same metrics established by the Compensation Committee (the independent directors, for the CEO) at the beginning of the performance period.
- Performance at the end of the three-year period is measured against the baseline of each performance metric established at the beginning of the performance period.
- The payout percentage, based on the extent to which the performance metrics are achieved, is applied to both the long-term cash bonus potential and the number of performance units awarded.
- Actual payouts cannot exceed 100% of the long-term cash bonus potential or 100% of the number of performance units awarded.

The Compensation Committee anticipates adopting a new Long-Term Incentive Plan each year, measuring improvement over successive three-year periods. Each year when establishing the performance metric baselines and percentage payouts per unit of improvement, the Compensation Committee considers the difficulty of achieving compounded improvement over time. During 2015, Kroger awarded 503,276 performance units to approximately 160 employees, including the NEOs.

## Long-Term Incentive Plan Metrics and Connection to our Business Strategy

Metric	Rationale for Use
<i>Customer 1<sup>st</sup> Strategy</i>	<ul style="list-style-type: none"> <li>• Kroger's Customer 1<sup>st</sup> Strategy is the focus, in all of Kroger's decision-making, on the customer. The Four Keys of Kroger's Customer 1<sup>st</sup> Strategy are People, Products, Shopping Experience and Price.</li> <li>• This proprietary metric measures the improvement in how Kroger is perceived by customers in each of the Four Keys.</li> <li>• Long-Term Incentive Plan payout is based on all of the elements of the Customer 1<sup>st</sup> Strategy, to maintain our top executives' consistent focus on the entirety of the Customer 1<sup>st</sup> Strategy. This is in contrast to the annual cash bonus payout which is based on certain elements of the Customer 1<sup>st</sup> Plan, to highlight annual objectives that are intended to receive the most focused attention in that year.</li> </ul>
<i>Improvement in Associate Engagement</i>	<ul style="list-style-type: none"> <li>• Kroger measures associate engagement in an annual survey of associates.</li> <li>• This metric is included in the Long-Term Incentive Plan as an acknowledgement that our Company's success is directly tied to our associates connecting with and serving our customers every day, whether in our stores, manufacturing plants, distribution centers or offices.</li> </ul>
<i>Reduction in Operating Costs<sup>(1)</sup> as a Percentage of Sales, without Fuel</i>	<ul style="list-style-type: none"> <li>• An essential part of Kroger's model is to increase productivity and efficiency, and to take costs out of the business in a sustainable way.</li> <li>• We strive to be disciplined, so that as the Company grows, expenses are properly managed.</li> <li>• This metric is included in both the annual cash bonus plan and Long-Term Incentive Plans. Operating costs, without fuel, can be improved temporarily on an annual basis, but it is more difficult to maintain these reductions over time.</li> <li>• It is the role of the approximately 160 employees in the Long-Term Incentive Plan to continue to reduce operating costs as a percentage of sales, without fuel, over time and to ensure such reductions are sustainable over the long-term. Including this metric in the Long-term Incentive Plan, incentivizes these key employees to implement policies for sustainable improvement over a long period of time.</li> </ul>
<i>ROIC<sup>(2)</sup></i>	<ul style="list-style-type: none"> <li>• Part of our long-term growth strategy is to increase capital investments over time. We have a pipeline of high quality projects and new store openings, and we continue to increase the square footage in our fill-in markets.</li> <li>• With increased capital spend, it is essential that we achieve the proper returns on our investments.</li> <li>• This measure is intended to hold executives accountable for the returns on the increased capital investments.</li> </ul>

(1) Operating Costs is calculated as the sum of (i) operating, general and administrative expenses, depreciation and amortization, and rent expense, without fuel, and (ii) warehouse and transportation costs, shrink, and advertising expenses, for our supermarket operations, without fuel. Operating costs will exclude one-time expenses incurred in lieu of future anticipated obligations. Future expenses that are avoided by virtue of the incurrence of the one-time expense will be deemed to be total operating expenses in the year in which they otherwise would have been incurred.

- (2) Return on invested capital is calculated by dividing adjusted operating profit for the prior four quarters by the average invested capital. Adjusted operating profit is calculated by excluding certain items included in operating profit, and adding our LIFO charge, depreciation and amortization, and rent. Average invested capital will be calculated as the sum of (i) the average of our total assets, (ii) the average LIFO reserve, (iii) the average accumulated depreciation and amortization, and (iv) a rent factor equal to total rent for the last four quarters multiplied by a factor of eight; minus (i) the average taxes receivable, (ii) the average trade accounts payable, (iii) the average accrued salaries and wages, and (iv) the average other current liabilities, excluding accrued income taxes.

The following table summarizes the Long-Term Incentive Plans adopted for the years shown:

	<u>2013 Plan</u>	<u>2014 Plan</u>	<u>2015 Plan</u>
<b>Performance Period</b>	2013 to 2015	2014 to 2016	2015 to 2017
<b>Payout Date</b>	March 2016	March 2017	March 2018
<b>Long-term Cash Bonus Potential</b>	Salary at end of fiscal year 2012*	Salary at end of fiscal year 2013*	Salary at end of fiscal year 2014*
<b>Performance Metrics</b>			
<b>Customer 1<sup>st</sup> Strategy</b>	2% payout per unit improvement	2% payout per unit improvement	4% payout per unit improvement
<b>Improvement in Associate Engagement</b>	4% payout per unit improvement	4% payout per unit improvement	4% payout per unit improvement
<b>Reduction in Operating Cost as a Percentage of Sales, without Fuel</b>	0.50% payout per 0.01% reduction in operating costs Baseline: 26.69%	0.50% payout per 0.01% reduction in operating costs Baseline: 26.68%	0.50% payout per 0.01% reduction in operating costs Baseline: 26.41%
<b>ROIC</b>	1% payout per 0.01% improvement in ROIC Baseline: 13.27%	1% payout per 0.01% improvement in ROIC Baseline: 13.29%	1% payout per 0.01% improvement in ROIC Baseline: 13.76%

\* Or date of plan entry, if later.

The Compensation Committee has made adjustments to the percentage payouts for the components of the Long-Term Incentive Plans over time to account for the increasing difficulty of achieving compounded improvement.

During 2015, Kroger awarded 503,276 performance units to approximately 160 employees, including the NEOs.

### Results of 2013 Long-Term Incentive Plan

The 2013 Long-Term Incentive Plan, which measured improvements over the three year period from 2013 to 2015, paid out in March 2016 and was calculated as follows:

Metric	Baseline	Result <sup>(1)</sup>	Improvement (A)	Payout per Improvement (B)	Percentage Earned (A) x (B)
Customer 1 <sup>st</sup> Strategy <sup>(2)</sup>	*	*	12 units of improvement	2.00%	24.00%
Improvement in Associate Engagement <sup>(2)</sup>	*	*	2 units of improvement	4.00%	8.00%
Reduction in Operating Cost as a Percentage of Sales, without Fuel	26.69%	26.13%	56 basis point improvement	0.50%	28.00%
Return on Invested Capital	13.27%	13.93%	66 basis point improvement	1.00%	66.00%
<b>Total</b>					<b>126.00%</b>
Total Earned: Payout is capped at 100%					100.00%

(1) Results exclude Harris Teeter and Roundy's because the mergers occurred after the performance goals were established.

(2) The Customer 1<sup>st</sup> Strategy and Improvement in Associate Engagement components were established by the Compensation Committee at the beginning of the performance period, but are not disclosed as they are competitively sensitive.

Accordingly, each NEO received a long-term cash bonus in an amount equal to 100% of that executive's long-term cash bonus potential, and was issued the number of Kroger common shares equal to 100% of the number of performance units awarded to that executive, along with a cash amount equal to the dividends paid on that number of common shares during the three year performance period. Payout for the cash components of the 2013 Long-Term Incentive Plan are reported in the "Non-Equity Incentive Plan Compensation" and "All Other Compensation" columns of the Summary Compensation Table and footnotes 4 and 6 to that table, and the common shares issued under the plan are reported in the 2015 Option Exercises and Stock Vested Table and footnote 2 to that table.

### Stock Options and Restricted Stock

Stock options and restricted stock continue to play an important role in rewarding NEOs for the achievement of long-term business objectives and providing incentives for the creation of shareholder value. Awards based on Kroger's common shares are granted annually to the NEOs and a large number of other employees. Kroger historically has distributed time-based equity awards widely, aligning the interests of employees with your interest as shareholders.

In 2015, Kroger granted 3,425,720 stock options to approximately 1,222 employees, including the NEOs. The options permit the holder to purchase Kroger common shares at an option price equal to the closing price of Kroger common shares on the date of the grant.

During 2015, Kroger awarded 3,228,270 shares of restricted stock to approximately 8,280 employees, including the NEOs.

Options are granted only on one of the four dates of Board meetings conducted after Kroger's public release of its quarterly earnings results. The Compensation Committee determines the vesting schedule for stock options and restricted stock.

During 2015, the Compensation Committee granted to the NEOs: (a) stock options with a five-year vesting schedule; and (b) restricted stock with a three- or five-year vesting schedule.

As discussed below under Stock Ownership Guidelines, covered individuals, including the NEOs, must hold 100% of common shares issued pursuant to performance units earned, the shares received upon the exercise of stock options or upon the vesting of restricted stock, except those necessary to pay the exercise price of the options and/or applicable taxes, until applicable stock ownership guidelines are met, unless the disposition is approved in advance by the CEO, or by the Board or Compensation Committee for the CEO.

### ***Retirement and Other Benefits***

Kroger maintains a defined benefit and several defined contribution retirement plans for its employees. The NEOs participate in one or more of these plans, as well as one or more excess plans designed to make up the shortfall in retirement benefits created by limitations under the Internal Revenue Code on benefits to highly compensated individuals under qualified plans. Additional details regarding certain retirement benefits available to the NEOs can be found below in the 2015 Pension Benefits Table and the accompanying narrative description that follows this discussion and analysis.

Kroger also maintains an executive deferred compensation plan in which some of the NEOs participate. This plan is a nonqualified plan under which participants can elect to defer up to 100% of their cash compensation each year. Additional details regarding our nonqualified deferred compensation plans available to the NEOs can be found below in the Nonqualified Deferred Compensation Table and the accompanying narrative.

Kroger also maintains The Kroger Co. Employee Protection Plan (“KEPP”), which covers all of our management employees and administrative support personnel who have provided services to Kroger for at least one year and whose employment is not covered by a collective bargaining agreement. KEPP provides for severance benefits and extended Kroger-paid health care, as well as the continuation of other benefits as described in the plan, when an employee is actually or constructively terminated without cause within two years following a change in control of Kroger (as defined in KEPP). Participants are entitled to severance pay of up to 24 months’ salary and bonus. The actual amount is dependent upon pay level and years of service. KEPP can be amended or terminated by the Board at any time prior to a change in control.

Performance-based long-term cash bonus, performance unit, stock option, and restricted stock agreements with award recipients provide that those awards “vest,” with 50% of the long-term cash bonus potential being paid, common shares equal to 50% of the performance units being awarded, options becoming immediately exercisable, and restrictions on restricted stock lapsing upon a change in control as described in the grant agreements.

None of the NEOs is party to an employment agreement.

### ***Perquisites***

NEOs receive limited perquisites because the Compensation Committee does not believe that it is necessary for the attraction or retention of management talent to provide the NEOs a substantial amount of compensation in the form of perquisites. In 2015, the only perquisites available to our NEOs were:

- premiums paid on life insurance policies;
- premiums paid on accidental death and dismemberment insurance; and
- premiums paid on long-term disability insurance policies.

Because he was an officer of Harris Teeter during 2015, Mr. Morganthall also was eligible for the following Harris Teeter perquisites:

- premiums paid on executive bonus insurance policies; and
- tax reimbursements for the taxes due on insurance premiums paid by Harris Teeter.

The total amount of perquisites furnished to the NEOs is shown in the Summary Compensation Table and described in more detail in footnote 6 to that table.

## Process for Establishing Executive Compensation

The Compensation Committee of the Board has the primary responsibility for establishing the compensation of our executive officers, including the NEOs, with the exception of the Chief Executive Officer. The Compensation Committee's role regarding the CEO's compensation is to make recommendations to the independent members of the Board; those members of the Board establish the CEO's compensation.

The Compensation Committee directly engages a compensation consultant from Mercer Human Resource Consulting to advise the Compensation Committee in the design of compensation for executive officers.

The Mercer consultant conducts an annual competitive assessment of executive positions at Kroger for the Compensation Committee. The assessment is one of several bases, as described above, on which the Compensation Committee determines compensation. The consultant assesses:

- Base salary;
- Target performance-based annual cash bonus;
- Target annual cash compensation (the sum of salary and annual cash bonus potential);
- Annualized long-term compensation, such as performance-based long-term cash bonus potential and performance units, stock options and restricted stock; and
- Total direct compensation (the sum of target annual cash compensation and annualized long-term compensation).

The consultant compares these elements against those of other companies in a group of publicly-traded food and drug retailers. For 2015, our peer group consisted of:

Costco Wholesale	SUPERVALU
CVS Health, formerly CVS Caremark	Target
Rite Aid	Wal-Mart
Safeway	Walgreens Boots Alliance, formerly Walgreen

This peer group is the same group as was used in 2014. Median 2015 revenue for the peer group was \$92.5 billion, compared to our revenue of \$109.8 billion. The make-up of the compensation peer group is reviewed annually and modified as circumstances warrant. Industry consolidation and other competitive forces will result in changes to the peer group over time.

The consultant also provides the Compensation Committee data from "general industry" companies, a representation of major publicly-traded companies of similar size and scope from outside the retail industry. This data serves as reference points, particularly for senior staff positions where competition for talent extends beyond the retail sector.

Considering the size of Kroger in relation to other peer group companies, the Compensation Committee believes that salaries paid to our NEOs should be at or above the median paid by peer group companies for comparable positions. The Compensation Committee also aims to provide an annual cash bonus potential to our NEOs that, if the increasingly more challenging annual business plan objectives are achieved at superior levels, would cause total cash compensation to be meaningfully above the median. Actual payouts may be as low as zero if performance does not meet the baselines established by the Compensation Committee.

The independent members of the Board have the exclusive authority to determine the amount of the CEO's compensation. In setting total compensation, the independent directors consider the median compensation of the peer group's CEOs. With respect to the annual bonus, the independent directors make two determinations: (1) they determine the annual cash bonus potential that will be multiplied by the annual cash bonus payout percentage earned that is generally applicable to all corporate management, including the NEOs and (2) the independent directors determine the annual cash bonus amount paid to the CEO by retaining discretion to reduce the annual cash bonus percentage payout the CEO would otherwise receive under the formulaic plan.

The Compensation Committee performs the same function and exercises the same authority as to the other NEOs. In its annual review of compensation for the NEOs the Compensation Committee:

- Conducts an annual review of all components of compensation, quantifying total compensation for the NEOs on tally sheets. The review includes a summary for each NEO of salary; performance-based annual cash bonus; long-term performance-based cash and performance unit compensation; stock options; restricted stock; accumulated realized and unrealized stock option gains and restricted stock and performance unit values; the value of any perquisites; retirement benefits; company paid health and welfare benefits; banked vacation; severance benefits available under KEPP; and earnings and payouts available under Kroger's nonqualified deferred compensation program.
- Considers internal pay equity at Kroger to ensure that the CEO is not compensated disproportionately. The Compensation Committee has determined that the compensation of the CEO and that of the other NEOs bears a reasonable relationship to the compensation levels of other executive positions at Kroger taking into consideration performance and differences in responsibilities.
- Reviews a report from the Compensation Committee's compensation consultants comparing NEO and other senior executive compensation with that of other companies, including both our peer group of competitors and a larger general industry group, to ensure that the Compensation Committee's objectives of competitiveness are met.
- Takes into account a recommendation from the CEO (except in the case of his own compensation) for salary, annual cash bonus potential and long-term compensation awards for each of the senior officers including the other NEOs. The CEO's recommendation takes into consideration the objectives established by and the reports received by the Compensation Committee as well as his assessment of individual job performance and contribution to our management team.

In considering each of the factors above, the Compensation Committee does not make use of a formula, but rather quantitatively reviews each factor in setting compensation.

### **Advisory Vote to Approve Executive Compensation**

At the 2015 annual meeting, we held our fifth annual advisory vote on executive compensation. Over 95% of the votes cast were in favor of the advisory proposal in 2015. The Compensation Committee believes it conveys our shareholders' support of the Compensation Committee's decisions and the existing executive compensation programs. As a result, the Compensation Committee made no material changes in the structure of our compensation programs or our pay for performance philosophy.

At the 2016 annual meeting, in keeping with our shareholders' request for an annual advisory vote, we will again hold an advisory vote to approve executive compensation (see page 56). The Compensation Committee will continue to consider the results from this year's and future advisory votes on executive compensation in their evaluation and administration of our compensation program.

### **Stock Ownership Guidelines**

To more closely align the interests of our officers and directors with your interests as shareholders, the Board has adopted stock ownership guidelines. These guidelines require non-employee directors, executive officers, and other key executives to acquire and hold a minimum dollar value of Kroger common shares as set forth below:

<b>Position</b>	<b>Multiple</b>
Chief Executive Officer	5 times base salary
Vice Chairman, President and Chief Operating Officer	4 times base salary
Executive Vice Presidents and Senior Vice Presidents	3 times base salary
Other Key Executives	2 times base salary
Non-employee Directors	3 times annual base cash retainer

Covered individuals are expected to achieve the target level within five years of appointment to their position. If the requirements are not met, individuals, including the NEOs, must hold 100% of common shares issued pursuant to performance units earned, shares received upon the exercise of stock options and upon the vesting of restricted stock, except those necessary to pay the exercise price of the options and/or applicable taxes, and must retain all Kroger shares unless the disposition is approved in advance by the CEO, or by the Board or Compensation Committee for the CEO.

### **Executive Compensation Recoupment Policy (Clawback)**

If a material error of facts results in the payment to an executive officer at the level of Group Vice President or higher of an annual cash bonus or a long-term cash bonus in an amount higher than otherwise would have been paid, as determined by the Compensation Committee, then the officer, upon demand from the Compensation Committee, will reimburse Kroger for the amounts that would not have been paid if the error had not occurred. This recoupment policy applies to those amounts paid by Kroger within 36 months prior to the detection and public disclosure of the error. In enforcing the policy, the Compensation Committee will take into consideration all factors that it deems appropriate, including:

- The materiality of the amount of payment involved;
- The extent to which other benefits were reduced in other years as a result of the achievement of performance levels based on the error;
- Individual officer culpability, if any; and
- Other factors that should offset the amount of overpayment.

### **Compensation Policies as They Relate to Risk Management**

As part of the Compensation Committee's review of our compensation practices, the Compensation Committee considers and analyzes the extent to which risks arise from such practices and their impact on Kroger's business. As discussed in this discussion and analysis, our policies and practices for compensating employees are designed to, among other things, attract and retain high quality and engaged employees. In this process, the Compensation Committee also focuses on minimizing risk through the implementation of certain practices and policies, such as the executive compensation recoupment policy, which is described above under "Executive Compensation Recoupment Policy (Clawback)". Accordingly, we do not believe that our compensation practices and policies create risks that are reasonably likely to have a material adverse effect on Kroger.

### **Prohibition on Hedging and Pledging**

After considering best practices related to ownership of company shares, the Board has adopted a policy regarding hedging, pledging and short sales of Kroger securities. Kroger directors and officers are prohibited from engaging, directly or indirectly, in hedging transactions in, or short sales of, Kroger securities. In addition, the policy was further revised as of April 1, 2016, to preclude Kroger officers and directors from pledging Kroger securities.

### **Section 162(m) of the Internal Revenue Code**

Tax laws place a deductibility limit of \$1,000,000 on some types of compensation for the CEO and the next four most highly compensated officers (other than the chief financial officer) reported in this proxy because they are among the four highest compensated officers ("covered employees"). In Kroger's case, this group of individuals is not identical to the group of NEOs. Compensation that is deemed to be "performance-based" is excluded for purposes of the calculation and is tax deductible. Awards under Kroger's Long-Term Incentive Plans, when payable upon achievement of stated performance criteria, should be considered performance-based and the compensation paid under those plans should be tax deductible. Generally, compensation expense related to stock options awarded to the CEO and the next four most highly compensated officers should be deductible. On the other hand, Kroger's awards of restricted stock that vest solely upon the passage of time are not performance-based. As a result,

compensation expense for those awards to the covered employees is not deductible, to the extent that the related compensation expense, plus any other expense for compensation that is not performance-based, exceeds \$1,000,000.

Kroger's bonus plans rely on performance criteria, which have been approved by shareholders. As a result, bonuses paid under the plans to the covered employees should be deductible by Kroger.

Kroger's policy is, primarily, to design and administer compensation plans that support the achievement of long-term strategic objectives and enhance shareholder value. Where it is material and supports Kroger's compensation philosophy, the Compensation Committee also will attempt to maximize the amount of compensation expense that is deductible by Kroger.

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### **Compensation Committee Report**

The Compensation Committee has reviewed and discussed with management of the Company the Compensation Discussion and Analysis contained in this proxy statement. Based on its review and discussions with management, the Compensation Committee has recommended to the Company's Board that the Compensation Discussion and Analysis be included in the Company's proxy statement and incorporated by reference into its Annual Report on Form 10-K.

Compensation Committee:

Clyde R. Moore, Chair  
Jorge P. Montoya  
Susan M. Phillips  
James A. Runde

## Compensation Tables

### Summary Compensation Table

The following table and footnotes provide information regarding the compensation of the NEOs for the fiscal years presented.

Name and Principal Position <sup>(1)</sup>	Fiscal Year	Salary (\$)	Stock Awards (\$) <sup>(2)</sup>	Option Awards (\$) <sup>(3)</sup>	Non-Equity Incentive Plan Compensation (\$) <sup>(4)</sup>	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$) <sup>(5)</sup>	All Other Compensation (\$) <sup>(6)</sup>	Total (\$)
W. Rodney McMullen	2015	1,216,665	4,332,252	2,300,092	2,999,693	618,033	279,656	11,746,391
Chairman and Chief Executive Officer	2014	1,118,726	3,740,251	1,951,394	2,441,546	3,498,396	232,602	12,982,915
	2013	962,731	5,062,435	907,862	1,722,946	63,518	166,329	8,885,821
J. Michael Schlotman	2015	793,825	2,489,148	1,040,847	1,394,752	44,163	148,104	5,910,839
Executive Vice President and Chief Financial Officer	2014	745,313	1,490,700	520,372	1,103,750	1,922,821	113,922	5,896,878
	2013	688,599	1,564,689	509,088	1,004,220	—	85,176	3,851,772
Michael J. Donnelly	2015	700,684	1,919,013	585,529	1,274,152	321,545	175,112	4,976,035
Executive Vice President of Merchandising	2014	651,315	748,051	390,279	1,024,261	341,775	100,305	3,255,986
	2013	565,136	1,099,201	236,283	803,052	3,744	81,557	2,778,973
Christopher T. Hjelm	2015	653,368	1,992,003	780,633	1,302,852	168	98,992	4,828,016
Executive Vice President and Chief Information Officer								
Frederick J. Morganthall II	2015	619,944	1,595,918	390,414	1,453,450	—	297,335	4,357,061
Executive Vice President of Retail Operations								

- (1) Messrs. Hjelm and Morganthall became NEOs in 2015.
- (2) Amounts reflect the grant date fair value of restricted stock and performance units granted each fiscal year, as computed in accordance with FASB ASC Topic 718. The following table reflects the value of each type of award granted to the NEOs in 2015:

Name	Restricted Stock	Performance Units
Mr. McMullen	\$3,300,021	\$1,032,231
Mr. Schlotman	\$1,979,946	\$509,202
Mr. Donnelly	\$1,632,562	\$286,451
Mr. Hjelm	\$1,610,062	\$381,941
Mr. Morganthall	\$1,404,958	\$190,960

The grant date fair value of the performance units reflected in the stock awards column and in the table above is computed based on the probable outcome of the performance conditions as of the grant date. This amount is consistent with the estimate of aggregate compensation cost to be recognized by the Company over the three-year performance period of the award determined as of the grant date under FASB ASC Topic 718, excluding the effect of estimated forfeitures. The assumptions used in calculating the valuations are set forth in Note 12 to the consolidated financial statements in Kroger's 10-K for fiscal year 2015.

Assuming that the highest level of performance conditions is achieved, the aggregate fair value of the 2015 performance unit awards at the grant date is as follows:

Name	Value of Performance Units Assuming Maximum Performance
Mr. McMullen	\$2,064,462
Mr. Schlotman	\$1,018,403
Mr. Donnelly	\$ 572,901
Mr. Hjelm	\$ 763,881
Mr. Morganthall	\$ 381,921

- (3) These amounts represent the aggregate grant date fair value of option awards computed in accordance with FASB ASC Topic 718. The assumptions used in calculating the valuations are set forth in Note 12 to the consolidated financial statements in Kroger's 10-K for fiscal year 2015.
- (4) Non-equity incentive plan compensation earned for 2015 consists of amounts earned under the 2015 performance-based annual cash bonus program and the 2013 Long-Term Incentive Plan. The amount reported for Mr. Morganthall also includes the 2015 amount earned under the Harris Teeter Merger Cash Bonus Plan (described below).

Name	Annual Cash Bonus	Long-Term Cash Bonus	Harris Teeter Merger Bonus
Mr. McMullen	\$2,060,093	\$939,600	N/A
Mr. Schlotman	\$ 723,652	\$671,100	N/A
Mr. Donnelly	\$ 723,652	\$550,500	N/A
Mr. Hjelm	\$ 723,652	\$579,200	N/A
Mr. Morganthall	\$ 645,010	\$369,083	\$439,357

In accordance with the terms of the 2015 performance-based annual cash bonus program, Kroger paid 126.7% of bonus potentials for the participants, including the NEOs. These amounts were earned with respect to performance in 2015 and paid in March 2016. Mr. Morganthall's annual cash bonus payout was calculated by using the Harris Teeter formula for the 17 weeks he was a Harris Teeter officer and the Kroger formula for the remainder of the year when he was a Kroger officer.

The long-term cash bonus awarded under the 2013 Long-Term Incentive Plan is a performance-based bonus plan designed to reward participants for improving the long-term performance of the Company. The plan covered performance during fiscal years 2013, 2014 and 2015 and amounts earned under the plan were paid in March 2016. In accordance with the terms of the plan, participants earned and Kroger paid 100% of long-term cash bonus potentials. The long-term cash bonus potential equaled the participant's salary in effect on the last day of fiscal 2012, and for Mr. Morganthall, the day he became eligible for the plan.

Amounts for Mr. Morganthall also include \$439,357 for 2015 performance under The Harris Teeter Merger Cash Bonus Plan. This plan is a performance-based bonus plan designed to reward participants for achieving synergies over the three year period following the merger between Harris Teeter and Kroger, fiscal years 2014, 2015 and 2016. Payouts are made following the end of each fiscal year of amounts earned based on that year's performance, subject to a maximum payout over the three-year period of 200% of the participant's bonus potential. The bonus potential is equal to the participant's salary in effect on the date of the merger. In March 2016, Mr. Morganthall received \$439,357 for 2015 performance.

- (5) For 2015, the amounts reported consist of the aggregate change in the actuarial present value of the NEO's accumulated benefit under a defined benefit pension plan (including supplemental plans), which applies to all eligible NEOs, and preferential earnings on nonqualified deferred compensation, which applies to Messrs. McMullen, Donnelly and Hjelm:

<b>Name</b>	<b>Change in Pension Value</b>	<b>Preferential Earnings on Nonqualified Deferred Compensation</b>
Mr. McMullen	\$ 537,941	\$80,092
Mr. Schlotman	\$ 44,163	N/A
Mr. Donnelly	\$ 316,969	\$ 4,576
Mr. Hjelm	\$ (1,142)	\$ 168
Mr. Morganthall	\$(429,556)	N/A

The change in value of the accumulated pension benefit for each of Messrs. Hjelm and Morganthall are not included in the table because the value decreased.

Amounts reported for 2015 and 2014 include the change in the actuarial present value of accumulated pension benefits and preferential earnings on nonqualified deferred compensation. Amounts reported for 2013 include only preferential earnings on nonqualified deferred compensation because the changes in pension value were negative, which are not required to be reported in the table in accordance with SEC rules. Pension values may fluctuate significantly from year to year depending on a number of factors, including age, years of service, average annual earnings and the assumptions used to determine the present value, such as the discount rate. The change in the actuarial present value of accumulated pension benefits for 2014 was significantly greater than 2013 primarily due to a lower discount rate and revised mortality assumptions. The change in the actuarial present value of accumulated pension benefits for 2015 is primarily due to a lower discount rate. Please see the Pension Benefits section for further information regarding the assumptions used in calculating pension benefits.

Messrs. McMullen, Donnelly and Hjelm participate in Kroger's nonqualified deferred compensation plan. Under the plan, deferred compensation earns interest at a rate representing Kroger's cost of ten-year debt, as determined by the CEO and approved by the Compensation Committee prior to the beginning of each deferral year. For each participant, a separate deferral account is created each year and the interest rate established for that year is applied to that deferral account until the deferred compensation is paid out. If the interest rate established by Kroger for a particular year exceeds 120% of the applicable federal long-term interest rate that corresponds most closely to the plan rate, the amount by which the plan rate exceeds 120% of the corresponding federal rate is deemed to be above-market or preferential. In thirteen of the twenty-two years in which at least one NEO deferred compensation, the rate set under the plan for that year exceeds 120% of the corresponding federal rate. For each of the deferral accounts in which the plan rate is deemed to be above-market, Kroger calculates the amount by which the actual annual earnings on the account exceed what the annual earnings would have been if the account earned interest at 120% of the corresponding federal rate, and discloses those amounts as preferential earnings. Amounts deferred in 2015 earn interest at a rate lower than 120% of the corresponding federal rate; accordingly there are no preferential earnings on these amounts. In 2015, Mr. Morganthall participated in the Harris Teeter Supermarkets, Inc. Flexible Deferral Plan (the "HT Flexible Deferral Plan"), which does not provide above-market or preferential earnings on deferred compensation.

- (6) Amounts reported in the “All Other Compensation” column for 2015 include: the dollar value of premiums paid by the Company for life insurance, Company contributions to defined contribution retirement plans, dividend equivalents paid on earned performance units, dividends paid on unvested restricted stock and other benefits. The following table identifies the perquisites and other compensation for 2015 that are required to be quantified by SEC rules.

Name	Life Insurance Premiums	Retirement Plan Contributions <sup>(a)</sup>	Payment of Dividend Equivalents on Earned Performance Units	Dividends Paid on Unvested Restricted Stock	Other <sup>(b)</sup>
Mr. McMullen	\$76,340	—	\$50,791	\$152,525	—
Mr. Schlotman	\$60,878	—	\$28,481	\$58,745	—
Mr. Donnelly	\$54,525	\$69,169	\$13,219	\$38,199	—
Mr. Hjelm	\$36,781	\$12,867	\$13,219	\$36,125	—
Mr. Morganthall	\$20,940	\$34,466	\$6,689	\$61,583	\$173,657

- (a) *Retirement plan contributions.* The Company makes automatic and matching contributions to NEOs’ accounts under the applicable defined contribution plan on the same terms and using the same formulas as other participating employees. The amounts reported represent the following contributions in 2015:
- Mr. Donnelly – \$13,603 to the Dillon Companies, Inc. Employees’ Profit Sharing Plan and \$55,566 to the Dillon Companies, Inc. Excess Benefit Profit Sharing Plan;
  - Mr. Hjelm – \$12,867 to The Kroger Co. 401(k) Retirement Savings Account Plan, which includes a \$2,000 automatic Company contribution; and
  - Mr. Morganthall – \$20,991 to the Harris Teeter Supermarkets, Inc. Retirement and Savings Plan, which includes a \$13,000 automatic Company contribution, and \$13,475 to the Harris Teeter Supermarkets, Inc. Flexible Deferral Plan.
- (b) *Other.* For each of Messrs. McMullen, Schlotman, Donnelly and Hjelm the total amount of other benefits provided was less than \$10,000.

For Mr. Morganthall, this amount includes the dollar value of insurance premiums paid by the Company on accidental death and dismemberment insurance and long-term disability insurance. In addition, because he was an officer of Harris Teeter during 2015, Mr. Morganthall was eligible for certain Harris Teeter benefits. Accordingly, during 2015 Mr. Morganthall received the following benefits under Harris Teeter plans: executive bonus insurance (whole life insurance) premiums paid by the Company in the amount of \$63,254, and tax reimbursements of \$47,762 for taxes on the premiums paid by the Company under the Harris Teeter long-term disability plan and the Harris Teeter executive bonus insurance plan. In addition, in connection with his relocation to Cincinnati, at the Company’s request, Mr. Morganthall received aggregate relocation benefits of \$58,851, which includes an allowance equal to one month’s salary at the time of his relocation and reimbursement of certain temporary living expenses.

## 2015 Grants of Plan-Based Awards

The following table provides information about equity and non-equity incentive awards granted to the NEOs in 2015.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards		Estimated Future Payouts Under Equity Incentive Plan Awards		All Other Stock Awards: Number of Shares of Stock or Units (#) <sup>(4)</sup>	All Other Option Awards: Number of Securities Underlying Options (#) <sup>(5)</sup>	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date Fair Value of Stock and Option Awards
		Target (\$)	Maximum (\$)	Target (#)	Maximum (#)				
W. Rodney McMullen		\$ 1,625,962 <sup>(1)</sup>	\$ 3,251,924 <sup>(1)</sup>						
		\$ 600,000 <sup>(2)</sup>	\$ 1,200,000 <sup>(2)</sup>						
	7/15/2015					86,095			\$ 3,300,021
	7/15/2015						235,415	\$ 38.33	\$ 2,300,092
	7/15/2015			26,090 <sup>(3)</sup>	52,179 <sup>(3)</sup>				\$ 1,032,231
J. Michael Schlotman		\$ 571,154 <sup>(1)</sup>	\$ 1,142,308 <sup>(1)</sup>						
		\$ 380,000 <sup>(2)</sup>	\$ 760,000 <sup>(2)</sup>						
	7/15/2015					38,610			\$ 1,479,921
	9/17/2015					13,334			\$ 500,025
	7/15/2015						106,531	\$ 38.33	\$ 1,040,847
	7/15/2015			12,870 <sup>(3)</sup>	25,740 <sup>(3)</sup>				\$ 509,202
Michael J. Donnelly		\$ 571,154 <sup>(1)</sup>	\$ 1,142,308 <sup>(1)</sup>						
		\$ 331,450 <sup>(2)</sup>	\$ 662,900 <sup>(2)</sup>						
	7/15/2015					29,547			\$ 1,132,537
	9/17/2015					13,334			\$ 500,025
	7/15/2015						59,929	\$ 38.33	\$ 585,529
	7/15/2015			7,240 <sup>(3)</sup>	14,480 <sup>(3)</sup>				\$ 286,451
Christopher T. Hjelm		\$ 571,154 <sup>(1)</sup>	\$ 1,142,308 <sup>(1)</sup>						
		\$ 310,000 <sup>(2)</sup>	\$ 620,000 <sup>(2)</sup>						
	7/15/2015					28,960			\$ 1,110,037
	9/17/2015					13,334			\$ 500,025
	7/15/2015						79,898	\$ 38.33	\$ 780,633
	7/15/2015			9,654 <sup>(3)</sup>	19,307 <sup>(3)</sup>				\$ 381,941
Frederick J. Morganthall II		\$ 577,769 <sup>(1)</sup>	\$ 1,155,538 <sup>(1)</sup>						
		\$ 285,117 <sup>(2)</sup>	\$ 570,234 <sup>(2)</sup>						
	7/15/2015					23,609			\$ 904,933
	9/17/2015					13,334			\$ 500,025
	7/15/2015						39,959	\$ 38.33	\$ 390,414
	7/15/2015			4,827 <sup>(3)</sup>	9,653 <sup>(3)</sup>				\$ 190,960

- (1) These amounts relate to the 2015 performance-based annual cash bonus plan. The amount listed under “Target” represents the annual cash bonus potential of the NEO. By the terms of the plan, payouts are limited to no more than 200% of a participant’s annual cash bonus potential; accordingly, the amount listed under “Maximum” equals two times that officer’s annual cash bonus potential amount. In the event that a participant’s annual cash bonus potential is increased during the year following the annual compensation review and/or a promotion, the target and maximum amounts are prorated to reflect the increase. Accordingly, the amounts reported for each NEO reflect the prorated targets and maximums. The amounts actually earned under this plan were paid in March 2016 and are included in the Summary Compensation Table for 2015 in the “Non-Equity Incentive Plan Compensation” column and are described in footnote 4 to that table.

- (2) These amounts relate to the long-term cash bonus potential issued under 2015 Long-Term Incentive Plan, which covers performance during fiscal years 2015, 2016 and 2017. The long-term cash bonus potential amount equals the annual base salary of the NEOs as of the last day of fiscal 2014 (or date of plan entry, if later). By the terms of the plan, payouts are limited to no more than 100% of a participant's long-term cash bonus potential; accordingly, the amount listed under "Maximum" equals the participant's long-term cash bonus potential. Because the actual payout is based on the level of performance achieved, the target amount is not determinable and therefore the amount listed under "Target" is a representative amount based on the probable outcome of the performance conditions.
- (3) These amounts represent performance units awarded under the 2015 Long-Term Incentive Plan, which covers performance during fiscal years 2015, 2016 and 2017. The amount listed under "Maximum" represents the maximum number of common shares that can be earned by the NEO under the award. Because the actual payout is based on the level of performance achieved, the target amount is not determinable and therefore the amount listed under "Target" reflects a representative amount based on the probable outcome of the performance conditions. The grant date fair value reported in the last column is based on the probable outcome of the performance conditions as of the grant date. This amount is consistent with the estimate of aggregate compensation cost to be recognized by the Company over the three-year performance period of the award determined as of the grant date under FASB ASC Topic 718, excluding the effect of estimated forfeitures. The aggregate grant date fair value of these awards is included in the Summary Compensation Table for 2015 in the "Stock Awards" column and described in footnote 2 to that table.
- (4) These amounts represent the number of shares of restricted stock granted in 2015. The aggregate grant date fair value reported in the last column is calculated in accordance with FASB ASC Topic 718. The aggregate grant date fair value of these awards is included in the Summary Compensation Table for 2015 in the "Stock Awards" column and described in footnote 2 to that table.
- (5) These amounts represent the number of stock options granted in 2015. Options are granted with an exercise price equal to the closing price of Kroger common shares on the grant date. The aggregate grant date fair value reported in the last column is calculated in accordance with FASB ASC Topic 718. The aggregate grant date fair value of these awards is included in the Summary Compensation Table for 2015 in the "Option Awards" column.

The Compensation Committee, and the independent members of the Board in the case of the CEO, established the bonus potentials shown in this table as "Target" amounts for the performance-based annual cash bonus awards, and established the amounts shown in this table as "Maximum" amounts for the long-term cash bonus awards and the performance unit awards. Amounts are payable to the extent that performance meets specific performance goals established by the Compensation Committee at the beginning of the performance period. As described in the Compensation Discussion and Analysis, actual earnings under the annual performance-based cash bonus plan may exceed the target amount if the Company's performance exceeds the performance goals, but are limited to 200% of the target amount. The Compensation Committee, and the independent members of the Board in the case of the CEO, also determined the number of performance units to be awarded to each NEO, under which common shares are earned to the extent performance meets specific objectives established at the beginning of the performance period. The performance units and the long-term cash bonus awards are more particularly described in the Compensation Discussion and Analysis.

Restrictions on restricted stock awarded to the NEOs normally lapse, so long as the officer is then in our employ, in equal amounts on each of the first five anniversaries of the grant date, except that the awards granted to Messrs. Schlotman, Donnelly, Hjelm and Morganthall on 9/17/2015 and 9,132 shares of the award granted to Mr. Morganthall on 7/15/15 vest in equal amounts on each of the first three anniversaries of the grant date. Any dividends declared on Kroger common shares are payable on unvested restricted stock. Nonqualified stock options granted to the NEOs normally vest, so long as the officer is then in our employ, in equal amounts on each of the first five anniversaries of the grant date.

## 2015 Outstanding Equity Awards at Fiscal Year-End

The following table provides information about outstanding equity-based incentive compensation awards for the NEOs as of the end of 2015. The vesting schedule for each award is described in the footnotes to this table. The market value of unvested restricted stock and unearned performance units is based on the closing price of Kroger's common shares of \$38.81 on January 29, 2016, the last trading day of 2015.

Name	Option Awards				Stock Awards			
	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)
W. Rodney McMullen	120,000	—	\$ 9.97	5/4/2016	13,716 <sup>(6)</sup>	532,318	73,875 <sup>(16)</sup>	2,952,414 <sup>(16)</sup>
	120,000	—	\$ 14.14	6/28/2017	29,232 <sup>(7)</sup>	1,134,494	26,090 <sup>(17)</sup>	1,044,754 <sup>(17)</sup>
	130,000	—	\$ 14.31	6/26/2018	43,848 <sup>(8)</sup>	1,701,741		
	130,000	—	\$ 11.17	6/25/2019	96,000 <sup>(9)</sup>	3,725,760		
	140,000	—	\$ 10.08	6/24/2020	90,000 <sup>(10)</sup>	3,492,900		
	146,304	36,576 <sup>(1)</sup>	\$ 12.37	6/23/2021	86,095 <sup>(11)</sup>	3,341,347		
	116,928	77,952 <sup>(2)</sup>	\$ 10.98	7/12/2022				
	77,952	116,928 <sup>(3)</sup>	\$ 18.88	7/15/2023				
	60,000	240,000 <sup>(4)</sup>	\$ 24.67	7/15/2024				
	—	235,415 <sup>(5)</sup>	\$ 38.33	7/15/2025				
J. Michael Schlotman	50,000	—	\$ 10.08	6/24/2020	6,846 <sup>(6)</sup>	265,693	19,700 <sup>(16)</sup>	787,311 <sup>(16)</sup>
	73,024	18,256 <sup>(1)</sup>	\$ 12.37	6/23/2021	16,392 <sup>(7)</sup>	636,174	12,870 <sup>(17)</sup>	515,379 <sup>(17)</sup>
	65,568	43,712 <sup>(2)</sup>	\$ 10.98	7/12/2022	24,588 <sup>(8)</sup>	954,260		
	43,712	65,568 <sup>(3)</sup>	\$ 18.88	7/15/2023	13,000 <sup>(12)</sup>	504,530		
	16,000	64,000 <sup>(4)</sup>	\$ 24.67	7/15/2024	16,000 <sup>(13)</sup>	620,960		
	—	106,531 <sup>(5)</sup>	\$ 38.33	7/15/2025	24,000 <sup>(10)</sup>	931,440		
					38,610 <sup>(11)</sup>	1,498,454		
					13,334 <sup>(14)</sup>	517,493		
Michael J. Donnelly	40,000	—	\$ 14.14	6/28/2017	4,804 <sup>(6)</sup>	186,443	14,775 <sup>(16)</sup>	590,483 <sup>(16)</sup>
	40,000	—	\$ 14.31	6/26/2018	7,608 <sup>(7)</sup>	295,266	7,240 <sup>(17)</sup>	289,926 <sup>(17)</sup>
	40,000	—	\$ 11.17	6/25/2019	14,412 <sup>(8)</sup>	559,330		
	40,000	—	\$ 10.08	6/24/2020	13,000 <sup>(12)</sup>	504,530		
	56,576	14,144 <sup>(1)</sup>	\$ 12.37	6/23/2021	18,000 <sup>(10)</sup>	698,580		
	30,432	20,288 <sup>(2)</sup>	\$ 10.98	7/12/2022	29,547 <sup>(11)</sup>	1,146,719		
	20,288	30,432 <sup>(3)</sup>	\$ 18.88	7/15/2023	13,334 <sup>(14)</sup>	517,493		
	12,000	48,000 <sup>(4)</sup>	\$ 24.67	7/15/2024				
	—	59,929 <sup>(5)</sup>	\$ 38.33	7/15/2025				
Christopher T. Hjelm	8,000	—	\$ 14.31	6/26/2018	3,804 <sup>(6)</sup>	147,633	14,775 <sup>(16)</sup>	590,483 <sup>(16)</sup>
	16,000	—	\$ 11.17	6/25/2019	7,608 <sup>(7)</sup>	295,266	9,654 <sup>(17)</sup>	386,574 <sup>(17)</sup>
	24,000	—	\$ 10.08	6/24/2020	11,412 <sup>(8)</sup>	442,900		
	30,432	10,144 <sup>(1)</sup>	\$ 12.37	6/23/2021	13,000 <sup>(12)</sup>	504,530		
	30,432	20,288 <sup>(2)</sup>	\$ 10.98	7/12/2022	18,000 <sup>(10)</sup>	698,580		
	20,288	30,432 <sup>(3)</sup>	\$ 18.88	7/15/2023	28,960 <sup>(11)</sup>	1,123,938		
	12,000	48,000 <sup>(4)</sup>	\$ 24.67	7/15/2024	13,334 <sup>(14)</sup>	517,493		
	—	79,898 <sup>(5)</sup>	\$ 38.33	7/15/2025				
Frederick J. Morganthall II	—	39,959 <sup>(5)</sup>	\$ 38.33	7/15/2025	75,778 <sup>(15)</sup>	2,940,944	13,445 <sup>(16)</sup>	537,339 <sup>(16)</sup>
					34,710 <sup>(10)</sup>	1,347,095	4,827 <sup>(17)</sup>	193,277 <sup>(17)</sup>
					9,132 <sup>(8)</sup>	354,413		
					14,477 <sup>(11)</sup>	561,852		
					13,334 <sup>(14)</sup>	517,493		

- (1) Stock options vest on 6/23/2016.
- (2) Stock options vest in equal amounts on 7/12/2016 and 7/12/2017.
- (3) Stock options vest in equal amounts on 7/15/2016, 7/15/2017 and 7/15/2018.
- (4) Stock options vest in equal amounts on 7/15/2016, 7/15/2017, 7/15/2018 and 7/15/2019.
- (5) Stock options vest in equal amounts on 7/15/2016, 7/15/2017, 7/15/2018, 7/15/2019 and 7/15/2020.
- (6) Restricted stock vests on 6/23/2016.
- (7) Restricted stock vests in equal amounts on 7/12/2016 and 7/12/2017.
- (8) Restricted stock vests in equal amounts on 7/15/2016, 7/15/2017 and 7/15/2018.
- (9) Restricted stock vests in equal amounts on 12/12/2016, 12/12/2017 and 12/12/2018.
- (10) Restricted stock vests in equal amounts on 7/15/2016, 7/15/2017, 7/15/2018 and 7/15/2019.
- (11) Restricted stock vests in equal amounts on 7/15/2016, 7/15/2017, 7/15/2018, 7/15/2019 and 7/15/2020.
- (12) Restricted stock vests on 12/12/2016.
- (13) Restricted stock vests as follows: 4,000 shares on 7/15/2016 and 12,000 shares on 7/15/2017.
- (14) Restricted stock vests in equal amounts on 9/17/2016, 9/17/2017 and 9/17/2018.
- (15) Restricted stock vests in equal amounts on 1/30/2017, 1/30/2018 and 1/30/2019.
- (16) Performance units granted under the 2014 Long-Term Incentive Plan are earned as of the last day of fiscal 2016, to the extent performance conditions are achieved. Because the awards earned are not currently determinable, the number of units and the corresponding market value, including cash payments equal to projected dividend equivalent payments, reflect the probable outcome of performance conditions as of fiscal year-end.
- (17) Performance units granted under the 2015 Long-Term Incentive Plan are earned as of the last day of fiscal 2017, to the extent performance conditions are achieved. Because the awards earned are not currently determinable, the number of units and the corresponding market value, including cash payments equal to projected dividend equivalent payments, reflect the probable outcome of performance conditions as of fiscal year-end.

## 2015 Option Exercises and Stock Vested

The following table provides information for 2015 regarding stock options exercised, restricted stock vested, and common shares issued to the NEOs pursuant to performance units earned under the 2013 Long-Term Incentive Plan.

Name	Option Awards <sup>(1)</sup>		Stock Awards <sup>(2)</sup>	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)
W. Rodney McMullen	150,000	\$4,141,875	156,668	\$6,019,970
J. Michael Schlotman	—	—	70,808	\$2,696,280
Michael J. Donnelly	36,000	\$1,124,280	43,426	\$1,668,288
Christopher T. Hjelm	—	—	41,426	\$1,593,233
Frederick J. Morgenthall II	—	—	43,034	\$1,656,157

- (1) Stock options have a ten-year life and expire if not exercised within that ten-year period. The value realized on exercise is the difference between the exercise price of the option and the closing price of Kroger's common shares on the respective date(s) of exercise.

- (2) The Stock Awards columns include vested restricted stock and earned performance units, as follows:

Name	Vested Restricted Stock		Earned Performance Units	
	Number of Shares	Value Realized	Number of Shares	Value Realized
Mr. McMullen	107,948	\$4,181,764	48,720	\$1,838,206
Mr. Schlotman	43,488	\$1,665,496	27,320	\$1,030,784
Mr. Donnelly	30,746	\$1,189,872	12,680	\$ 478,416
Mr. Hjelm	28,746	\$1,114,817	12,680	\$ 478,416
Mr. Morganthall	33,934	\$1,312,814	9,100	\$ 343,343

*Restricted stock.* The table includes the number of shares acquired upon vesting of restricted stock and the value realized on the vesting of restricted stock.

*Performance Units.* In 2013, participants in the 2013 Long-Term Incentive Plan were awarded performance units that were earned based on performance criteria established by the Compensation Committee at the beginning of the three-year performance period. Actual payouts were based on the level of performance achieved, and were paid in common shares. The number of common shares issued and the value realized based on the closing price of Kroger common shares of \$37.73 on March 10, 2016, the date of deemed delivery of the shares, are reflected in the table above.

## 2015 Pension Benefits

The following table provides information regarding pension benefits for the NEOs as of the last day of 2015.

Name	Plan Name	Number of Years Credited Service (#)	Present Value of Accumulated Benefit (\$) <sup>(1)</sup>
W. Rodney McMullen	Kroger Consolidated Retirement Benefit Plan	30	\$ 1,070,880
	Kroger Excess Benefit Plan	30	\$10,276,024
J. Michael Schlotman	Kroger Consolidated Retirement Benefit Plan	30	\$ 1,169,438
	Kroger Excess Benefit Plan	30	\$ 5,457,400
Michael J. Donnelly	Kroger Consolidated Retirement Benefit Plan	36	\$ 244,532
	Kroger Excess Benefit Plan	36	\$ 3,241,033
Christopher T. Hjelm	Kroger Consolidated Retirement Benefit Plan	— <sup>(2)</sup>	\$ 10,086
Frederick J. Morganthall II	Harris Teeter Employees' Pension Plan	29	\$ 975,455
	Harris Teeter Supplemental Executive Retirement Plan	29	\$ 8,044,875

- (1) The discount rate used to determine the present values was 4.66% for the Kroger and Dillon plans, 4.65% for the Harris Teeter Supermarkets, Inc. Employees' Pension Plan (the "HT Pension Plan") and 4.40% for the Harris Teeter Supermarkets, Inc. Supplemental Executive Retirement Plan (the "HT SERP"), which are the same rates used at the measurement date for financial reporting purposes. Additional assumptions used in calculating the present values are set forth in Note 15 to the consolidated financial statements in Kroger's 10-K for 2015.
- (2) The benefits for cash balance participants are not based on years of credited service. See the narrative discussion following this table for a description of how plan benefits are determined.

### ***Kroger Pension Plan and Excess Plan***

Messrs. McMullen, Schlotman, Donnelly and Hjelm participate in The Kroger Consolidated Retirement Benefit Plan (the “Kroger Pension Plan”), which is a qualified defined benefit pension plan. Messrs. McMullen, Schlotman and Donnelly also participate in The Kroger Co. Excess Benefit Plan (the “Excess Plan”), which is a nonqualified deferred compensation plan as defined in Section 409A of the Internal Revenue Code. The purpose of the Excess Plan is to make up the shortfall in retirement benefits caused by the limitations on benefits to highly compensated individuals under the qualified defined benefit pension plans in accordance with the Internal Revenue Code.

Although participants generally receive credited service beginning at age 21, certain participants in the Kroger Pension Plan and the Excess Plan who commenced employment prior to 1986, including Messrs. McMullen and Schlotman, began to accrue credited service after attaining age 25 and one year of service. The Kroger Pension Plan and the Excess Plan generally determine accrued benefits using a cash balance formula, but retain benefit formulas applicable under prior plans for certain “grandfathered participants” who were employed by Kroger on December 31, 2000. Each of Messrs. McMullen, Schlotman and Donnelly is eligible for these grandfathered benefits. Mr. Hjelm is not a grandfathered participant, and therefore, his benefits are determined using the cash balance formula.

#### ***Grandfathered Participants***

Benefits for grandfathered participants are determined using formulas applicable under prior plans, including the Kroger formula covering service to The Kroger Co. and the Dillon formula covering service to Dillon Companies, Inc. As “grandfathered participants”, Messrs. McMullen, Schlotman and Donnelly will receive benefits under the Kroger Pension Plan and the Excess Plan, determined as follows:

- $1\frac{1}{2}\%$  times years of credited service multiplied by the average of the highest five years of total earnings (base salary and annual cash bonus) during the last ten calendar years of employment, reduced by  $1\frac{1}{4}\%$  times years of credited service multiplied by the primary social security benefit;
- normal retirement age is 65;
- unreduced benefits are payable beginning at age 62; and
- benefits payable between ages 55 and 62 will be reduced by  $\frac{1}{3}$  of one percent for each of the first 24 months and by  $\frac{1}{2}$  of one percent for each of the next 60 months by which the commencement of benefits precedes age 62.

In the event of a termination of employment other than death or disability, Messrs. McMullen, Schlotman and Donnelly currently are eligible for a reduced early retirement benefit, as each has attained age 55. If a “grandfathered participant” becomes disabled while employed by Kroger and after attaining age 55, the participant will receive the full retirement benefit. If a married “grandfathered participant” dies while employed by Kroger, the surviving spouse will receive benefits as though a retirement occurred on such date, based on the greater of: actual benefits payable to the participant if he was over age 55, or the benefits that would have been payable to the participant assuming he was age 55 on the date of death.

#### ***Cash Balance Participants***

Mr. Hjelm began participating in the Kroger Pension Plan in August 2005 as a cash balance participant. Until the plan was frozen on December 31, 2006, cash balance participants received an annual pay credit equal to 5% of that year’s eligible earnings plus an annual interest credit equal to the account balance at the beginning of the plan year multiplied by the annual rate of interest on 30-year Treasury Securities in effect prior to the plan year. Beginning on January 1, 2007, cash balance participants receive an annual interest credit but no longer receive an annual pay credit. Upon retirement, cash balance participants generally are eligible to receive a life annuity which is the actuarial equivalent of his account balance, but may elect in some circumstances to receive a lump sum distribution equal to his account balance. If Mr. Hjelm becomes disabled while employed by Kroger, he will receive the full retirement benefit. If he dies while employed by Kroger, his beneficiary will receive a death benefit equal to the benefit he was eligible to receive if a retirement occurred on such date.

### *Offsetting Benefits*

Mr. Donnelly also participates in the Dillon Companies, Inc. Employees' Profit Sharing Plan, which is a qualified defined contribution plan (the "Dillon Profit Sharing Plan") under which Dillon Companies, Inc. and its participating subsidiaries may choose to make discretionary contributions each year that are allocated to each participant's account. Participation in Dillon Profit Sharing Plan was frozen in 2001 and participants are no longer able to make employee contributions, but certain participants, including Mr. Donnelly, are still eligible for employer contributions. Participants elect from among a number of investment options and the amounts in their accounts are invested and credited with investment earnings in accordance with their elections. Due to offset formulas contained in the Kroger Pension Plan, Mr. Donnelly's accrued benefits under the Dillon Profit Sharing Plan offset a portion of the benefit that would otherwise accrue for him under the Kroger Pension for his service with Dillon Companies, Inc. This offset is reflected in the table above.

### ***Harris Teeter Pension Plan***

Mr. Morganthall participates in the HT Pension Plan, which is a defined benefit pension plan. Participation in the HT Pension Plan was frozen effective October 1, 2005. For participants with age and service points as of December 31, 2005 equal to or greater than 45, which includes Mr. Morganthall, benefit accruals under the HT Pension Plan after September 30, 2005 will be offset by the actuarial equivalent of the portion of their account balance under the Harris Teeter Supermarkets, Inc. Retirement and Savings Plan (the "HT Savings Plan") that are attributable to automatic retirement contributions made by Harris Teeter after September 30, 2005, plus earnings and losses on such contributions. A participant's normal annual retirement benefit under the HT Pension Plan at age 65 is an amount equal to 0.8% of his final average earnings multiplied by years of service at retirement, plus 0.6% of his final average earnings in excess of Social Security covered compensation multiplied by the number of years of service up to a maximum of 35 years. A participant's final average earnings is the average annual cash compensation paid to the participant during the plan year, including salary, incentive compensation and any amount contributed to the HT Savings Plan, for the 5 consecutive years in the last 10 years that produce the highest average.

### ***Harris Teeter SERP***

Mr. Morganthall also participates in the HT SERP, which is a nonqualified deferred compensation plan as defined in Section 409A of the Internal Revenue Code. The purpose of the HT SERP is to supplement the benefits payable under the retirement plans. Under the HT SERP, participants who retire at normal retirement age of 60 receive monthly retirement benefits equal to between 55% and 60% of his final average earnings times his accrual fraction and reduced by his (1) assumed HT Pension Plan retirement benefit, and (2) assumed Social Security benefit. The final average earnings are the average annual earnings during the highest 3 calendar years out of the last 10 calendar years preceding termination of employment. The accrual fraction is a fraction, the numerator of which is the years of credited service, the denominator of which is 20, and which may not exceed 1.0. The benefits payable under the HT SERP are payable for the participant's lifetime with an automatic 75% survivor benefit payable to the participant's surviving eligible spouse for his or her lifetime. Mr. Morganthall is eligible to receive the full benefit as he has reached age 60. Harris Teeter uses a non-qualified trust to purchase and hold the assets to satisfy Harris Teeter's obligation under the HT SERP, and participants in the HT SERP are general creditors of Harris Teeter in the event Harris Teeter becomes insolvent.

## 2015 Nonqualified Deferred Compensation

The following table provides information on nonqualified deferred compensation for the NEOs for 2015.

Name	Executive Contributions in Last FY	Registrant Contributions in Last FY	Aggregate Earnings in Last FY <sup>(1)</sup>	Aggregate Balance at Last FYE <sup>(2)</sup>
W. Rodney McMullen	\$ 7,500 <sup>(3)</sup>	—	\$ 532,896	\$ 8,379,170
J. Michael Schlotman	—	—	—	—
Michael J. Donnelly	—	—	\$ 24,430	\$ 372,649
Christopher T. Hjelm	\$ 148,808 <sup>(4)</sup>	—	\$ 10,053	\$ 236,885
Frederick J. Morganthall II	\$ 100,000 <sup>(4)</sup>	\$ 13,475 <sup>(5)</sup>	—	\$ 663,852

- (1) These amounts include the aggregate earnings on all accounts for each NEO, including any above-market or preferential earnings. The following amounts earned in 2015 are deemed to be preferential earnings and are included in the “Change in Pension Value and Nonqualified Deferred Compensation Earnings” column of the Summary Compensation Table for 2015: Mr. McMullen, \$80,092; Mr. Donnelly, \$4,576; and Mr. Hjelm, \$168.
- (2) The following amounts in the Aggregate Balance column from the table were reported in the Summary Compensation Tables covering fiscal years 2006 – 2014: Mr. McMullen – \$2,558,370; and Mr. Donnelly - \$14,318. For Messrs. Hjelm and Morganthall, no portion of the Aggregate Balance from the table was reported in the Summary Compensation Table for prior years because they were not NEOs prior to 2015.
- (3) This amount represents the deferral of a portion of his salary in 2015. This amount is included in the Summary Compensation Table for 2015.
- (4) These amounts represent the deferral of a portion of the 2014 performance-based annual cash bonus earned in 2014 and paid in March 2015.
- (5) This amount is included in the All Other Compensation column of the Summary Compensation Table for 2015.

### ***Kroger Executive Deferred Compensation Plan***

Messrs. McMullen, Donnelly and Hjelm participate in The Kroger Co. Executive Deferred Compensation Plan, which is a nonqualified deferred compensation plan. Participants may elect to defer up to 100% of the amount of their salary that exceeds the sum of the FICA wage base and pre-tax insurance and other Internal Revenue Code Section 125 plan deductions, as well as up to 100% of their annual and long-term cash bonus compensation. Kroger does not match any deferral or provide other contributions. Deferral account amounts are credited with interest at the rate representing Kroger’s cost of ten-year debt as determined by Kroger’s CEO and approved by the Compensation Committee prior to the beginning of each deferral year. The interest rate established for deferral amounts for each deferral year will be applied to those deferral amounts for all subsequent years until the deferred compensation is paid out. Amounts deferred in 2015 earn interest at a rate of 3.65%. Participants can elect to receive lump sum distributions or quarterly installments for periods up to ten years. Participants also can elect between lump sum distributions and quarterly installments to be received by designated beneficiaries if the participant dies before distribution of deferred compensation is completed.

Participants may not withdraw amounts from their accounts until they leave Kroger, except that Kroger has discretion to approve an early distribution to a participant upon the occurrence of an unforeseen emergency. Participants who are “specified employees” under Section 409A of the Internal Revenue Code, which includes the NEOs, may not receive a post-termination distribution for at least six months following separation. If the employee dies prior to or during the distribution period, the remainder of the account will be distributed to his designated beneficiary in lump sum or quarterly installments, according to the participant’s prior election.

### ***Harris Teeter Flexible Deferral Plan***

Mr. Morganthall participates in the HT Flexible Deferral Plan, which is a nonqualified deferred compensation plan that provides certain highly compensated employees of Harris Teeter, the opportunity to defer the receipt and taxation on a portion of their annual compensation and supplements the benefits under tax qualified retirement plans to the extent that such benefits are subject to limitation under the Internal Revenue Code. Participants may elect to defer up to 50% of their base salary and up to 90% of their non-equity incentive bonus compensation. Harris Teeter provides matching contributions of 50% of the participant's contribution, up to a maximum of 4% of the participant's pay, less assumed matching contributions under the HT Savings Plan. These deferred amounts and Company match are credited to the participant's account. Plan participants may choose deemed investments in the HT Flexible Deferral Plan that represent choices that span a variety of diversified asset classes. Participants may elect to receive a lump sum distribution, annual installment payments for 2-15 years, or a partial lump sum and installment payments. Upon retirement, death, disability, or other separation of service, the participant will receive distributions in accordance with his election, subject to limitations under Section 409A. Mr. Morganthall has reached the retirement age and is eligible for the full benefit. The HT Flexible Deferral Plan also allows for an in-service withdrawal for an unforeseeable emergency based on facts and circumstances that meet Internal Revenue Service and plan guidelines. Harris Teeter uses a non-qualified trust to purchase and hold the assets to satisfy Harris Teeter's obligation under the HT Flexible Deferral Plan, and participants in the HT Flexible Deferral Plan are general creditors of Harris Teeter in the event Harris Teeter becomes insolvent.

### **Potential Payments upon Termination or Change in Control**

Kroger does not have employment agreements or other contracts, agreements, plans or arrangements that provide for payments to the NEOs in connection with a termination of employment or a change in control of Kroger. However, KEPP, our award agreements for stock options, restricted stock and performance units and our long-term cash bonus plans provide for certain payments and benefits to participants, including the NEOs, in the event of a termination of employment or a change in control of Kroger, as described below. Our pension plans and nonqualified deferred compensation plan also provide for certain payments and benefits to participants in the event of a termination of employment, as described above in the Pension Benefits section and the Nonqualified Deferred Compensation section, respectively.

A "change in control" under KEPP, and our equity and non-equity incentive awards occurs if:

- any person or entity (excluding Kroger's employee benefit plans) acquires 20% or more of the voting power of Kroger;
- a merger, consolidation, share exchange, division, or other reorganization or transaction with Kroger results in Kroger's voting securities existing prior to that event representing less than 60% of the combined voting power immediately after the event;
- Kroger's shareholders approve a plan of complete liquidation or winding up of Kroger or an agreement for the sale or disposition of all or substantially all of Kroger's assets; or
- during any period of 24 consecutive months, individuals at the beginning of the period who constituted Kroger's Board of Directors cease for any reason to constitute at least a majority of the Board of Directors.

### ***KEPP***

KEPP applies to all management employees and administrative support personnel who are not covered by a collective bargaining agreement, with at least one year of service, and provides severance benefits when a participant's employment is terminated actually or constructively within two years following a change in control of Kroger, including the NEOs. The actual amount is dependent on pay level and years of service. The NEOs are eligible for the following benefits:

- a lump sum severance payment equal to up to two times the sum of the participant's annual base salary and 70% of the greater of the current annual cash bonus potential or the average of the actual annual cash bonus payments for the prior three years;

- a lump sum payment equal to the participant's accrued and unpaid vacation, including banked vacation;
- a lump sum payment equal to 1/12<sup>th</sup> of the sum of the participant's annual vacation pay plus 70% of the greater of the current year's annual cash bonus potential or the average of the actual annual cash bonus payments for the prior three years, multiplied by the number of months elapsed in the current calendar year;
- continued medical and dental benefits for up to 24 months and continued life insurance coverage for up to 6 months; and
- up to \$5,000 as reimbursement for eligible tuition expenses and up to \$10,000 as reimbursement for eligible outplacement expenses.

Payments to executive officers under KEPP will be reduced, to the extent necessary, so that payments will not exceed 2.99 times the officer's average W-2 earnings over the preceding five years.

### **Long-Term Compensation Awards**

The following table describes the treatment of long-term compensation awards following a termination of employment or change in control of Kroger. In each case, the continued vesting, exercisability or eligibility for the incentive awards will end if the participant provides services to a competitor of Kroger.

<b>Triggering Event</b>	<b>Stock Options</b>	<b>Restricted Stock</b>	<b>Performance Units</b>	<b>Performance-Based Long-Term Cash Bonus</b>
<b>Involuntary Termination</b>	Forfeit all unvested options. Previously vested options remain exercisable for the shorter of one year after termination or the remainder of the original 10-year term.	Forfeit all unvested shares	Forfeit all rights to units for which the three year performance period has not ended	Forfeit all rights to long-term cash bonuses for which the three year performance period has not ended
<b>Voluntary Termination/ Retirement</b> <b>- Prior to minimum age and five years of service(2)</b>	Forfeit all unvested options. Previously vested options remain exercisable for the shorter of one year after termination or the remainder of the original 10-year term.	Forfeit all unvested shares	Forfeit all rights to units for which the three year performance period has not ended	Forfeit all rights to long-term cash bonuses for which the three year performance period has not ended
<b>Voluntary Termination/ Retirement</b> <b>- After minimum age and five years of service(2)</b>	Unvested options continue vesting on the original schedule. All options are exercisable for remainder of the original 10-year term.	Forfeit all unvested shares granted prior to 2013. Vesting continues on the original schedule for awards granted during or after 2013.	Pro rata portion(1) of units earned based on performance results over the full three-year period	Pro rata portion(1) of long-term cash bonuses earned based on performance results over the full three-year period
<b>Death</b>	Unvested options are immediately vested. All options are exercisable for remainder of the original 10-year term.	Unvested shares immediately vest	Pro rata portion(1) of units earned based on performance results through the end of the fiscal year in which death occurs. Award will be paid following the end of such fiscal year.	Pro rata portion(1) of long-term cash bonuses earned based on performance results through the end of the fiscal year in which death occurs. Award will be paid following the end of such fiscal year.
<b>Disability</b>	Unvested options are immediately vested. All options are exercisable for remainder of the original 10-year term.	Unvested shares immediately vest	Pro rata portion(1) of units earned based on performance results over the full three-year period	Pro rata portion(1) of long-term cash bonuses earned based on performance results over the full three-year period
<b>Change in Control(3)</b>	Unvested options are immediately vested and exercisable	Unvested shares immediately vest	50% of the maximum units granted at the beginning of the performance period earned immediately	50% of the maximum bonus granted at the beginning of the performance period earned immediately

- (1) The prorated amount is equal to the number of weeks of active employment during the performance period divided by the total number of weeks in the performance period.
- (2) The minimum age requirement is age 62 for stock options and restricted stock and age 55 for performance units and the long-term cash bonus.
- (3) These benefits are payable upon a change in control of Kroger with or without a termination of employment.

### **Quantification of Payments upon Termination or Change in Control**

The following table provides information regarding certain potential payments that would have been made to the NEOs if the triggering event occurred on the last day of the fiscal year, January 30, 2016, given compensation, age and service levels as of that date and, where applicable, based on the closing market price per Kroger common share on the last trading day of the fiscal year (\$38.81 on January 29, 2016). Amounts actually received upon the occurrence of a triggering event will vary based on factors such as the timing during the year of such event, the market price of Kroger common shares, and the officer's age, length of service and compensation levels.

Name	Involuntary Termination	Voluntary Termination/ Retirement	Death	Disability	Change in Control without Termination	Change in Control with Termination
<b>W. Rodney McMullen</b>						
Accrued and Banked Vacation	\$763,072	\$ 763,072	\$ 763,072	\$ 763,072	\$ 763,072	\$ 763,072
Severance	—	—	—	—	—	4,790,016
Additional Vacation and Bonus	—	—	—	—	—	108,173
Continued Health and Welfare Benefits <sup>(1)</sup>	—	—	—	—	—	58,326
Stock Options <sup>(2)</sup>	—	—	8,973,448	8,973,448	8,973,448	8,973,448
Restricted Stock <sup>(3)</sup>	—	—	13,928,560	13,928,560	13,928,560	13,928,560
Performance Units <sup>(4)</sup>	—	2,615,463	2,615,463	2,615,463	2,467,908	2,467,908
Long-Term Cash Bonus <sup>(5)</sup>	—	1,133,340	1,133,340	1,133,340	1,150,000	1,150,000
Executive Group Life Insurance	—	—	4,910,000	—	—	—
<b>J. Michael Schlotman</b>						
Accrued and Banked Vacation	\$516,928	\$ 516,928	\$ 516,928	\$ 516,928	\$ 516,928	\$ 516,928
Severance	—	—	—	—	—	2,581,080
Additional Vacation and Bonus	—	—	—	—	—	45,622
Continued Health and Welfare Benefits <sup>(1)</sup>	—	—	—	—	—	48,995
Stock Options <sup>(2)</sup>	—	—	3,962,059	3,962,059	3,962,059	3,962,059
Restricted Stock <sup>(3)</sup>	—	—	5,929,004	5,929,004	5,929,004	5,929,004
Performance Units <sup>(4)</sup>	—	850,471	850,471	850,471	887,585	887,585
Long-Term Cash Bonus <sup>(5)</sup>	—	743,335	743,335	743,335	747,500	747,500
Executive Group Life Insurance	—	—	3,064,200	—	—	—
<b>Michael J. Donnelly</b>						
Accrued and Banked Vacation	\$245,191	\$ 245,191	\$ 245,191	\$ 245,191	\$ 245,191	\$ 245,191
Severance	—	—	—	—	—	2,345,731
Additional Vacation and Bonus	—	—	—	—	—	42,451
Continued Health and Welfare Benefits <sup>(1)</sup>	—	—	—	—	—	38,794
Stock Options <sup>(2)</sup>	—	—	2,252,578	2,252,578	2,252,578	2,252,578
Restricted Stock <sup>(3)</sup>	—	—	3,908,361	3,908,361	3,908,361	3,908,361
Performance Units <sup>(4)</sup>	—	575,422	575,422	575,422	572,059	572,059
Long-Term Cash Bonus <sup>(5)</sup>	—	650,008	650,008	650,008	653,230	653,230
Executive Group Life Insurance	—	—	2,770,000	—	—	—
<b>Christopher T. Hjelm</b>						
Accrued and Banked Vacation	\$ 53,848	\$ 53,848	\$ 53,848	\$ 53,848	\$ 53,848	\$ 53,848
Severance	—	—	—	—	—	2,053,342
Additional Vacation and Bonus	—	—	—	—	—	39,487
Continued Health and Welfare Benefits <sup>(1)</sup>	—	—	—	—	—	48,101
Stock Options <sup>(2)</sup>	—	—	2,156,403	2,156,403	2,156,403	2,156,403
Restricted Stock <sup>(3)</sup>	—	—	3,730,340	3,730,340	3,730,340	3,730,340
Performance Units <sup>(4)</sup>	—	637,879	637,879	637,879	665,727	665,727
Long-Term Cash Bonus <sup>(5)</sup>	—	606,668	606,668	606,668	610,000	610,000
Executive Group Life Insurance	—	—	3,165,000	—	—	—

Name	Involuntary Termination	Voluntary Termination/Retirement	Death	Disability	Change in Control without Termination	Change in Control with Termination
<b>Frederick J. Morganthall II</b>						
Accrued and Banked Vacation	\$ 77,310	\$ 77,310	\$ 77,310	\$ 77,310	\$ 77,310	\$ 77,310
Severance	—	—	—	—	—	2,180,016
Additional Vacation and Bonus	—	—	—	—	—	41,443
Continued Health and Welfare Benefits <sup>(1)</sup>	—	—	—	—	—	27,484
Stock Options <sup>(2)</sup>	—	—	19,180	19,180	19,180	19,180
Restricted Stock <sup>(3)</sup>	—	—	5,721,797	5,721,797	5,721,797	5,721,797
Performance Units <sup>(4)</sup>	—	478,038	478,038	478,038	452,195	452,195
Long-Term Cash Bonus <sup>(5)</sup>	—	559,162	559,162	559,162	561,930	561,930
Executive Group Life Insurance	—	—	2,295,000	—	—	—

- (1) Represents the aggregate present value of continued participation in the Company's medical, dental and executive term life insurance plans, based on the premiums paid by the Company during the eligible period. The eligible period for continued medical and dental benefits is based on the length of service, which is 22 months for Mr. Hjelm, and 24 months for the other NEOs. The eligible period for continued executive term life insurance coverage is six months for all NEOs. The amounts reported may ultimately be lower if the executive is no longer eligible to receive benefits, which could occur upon obtaining other employment and becoming eligible for substantially equivalent benefits through the new employer.
- (2) Amounts reported in the death, disability and change in control columns represent the intrinsic value of the accelerated vesting of unvested stock options, calculated as the difference between the exercise price of the stock option and the closing price per Kroger common share on January 29, 2016. In accordance with SEC rules, no amount is reported in the voluntary termination/retirement column because vesting is not accelerated, but the awards may continue to vest on the original schedule if the conditions described above are met.
- (3) Amounts reported in the death, disability and change in control columns represent the aggregate value of the accelerated vesting of restricted stock. In accordance with SEC rules, no amount is reported in the voluntary termination/retirement column because vesting is not accelerated, but the awards may continue to vest on the original schedule if the conditions described above are met.
- (4) Amounts reported in the voluntary termination/retirement, death and disability columns represent the aggregate value of the performance units granted in 2014 and 2015, based on the probable outcome of the performance conditions as of January 30, 2016 and prorated for the portion of the performance period completed. Amounts reported in the change in control column represent the aggregate value of 50% of the maximum number of performance units granted in 2014 and 2015 at the beginning of the performance period. Awards under the 2013 Long-Term Incentive Plan were earned as of the last day of 2015 so each NEO was entitled to receive (regardless of the triggering event) the amount actually earned, which is reported in the Stock Awards column of the 2015 Stock Vested Table.
- (5) Amounts reported in the voluntary termination/retirement, death and disability columns represent the aggregate value of the long-term cash bonuses granted in 2014 and 2015, based on the probable outcome of the performance conditions as of January 30, 2016 and prorated for the portion of the performance period completed. Amounts reported in the change in control column represent the aggregate value of 50% of the long-term cash bonus potentials under the 2014 and 2015 Long-Term Incentive Plans. Awards under the 2013 Long-Term Incentive Plan were earned as of the last day of 2015, so each NEO was entitled to receive (regardless of the triggering event) the amount actually earned, which is reported in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table.

## Director Compensation

### 2015 Director Compensation

The following table describes the 2015 compensation for non-employee directors. Mr. McMullen does not receive compensation for his Board service.

Name	Fees Earned or Paid in Cash	Stock Awards <sup>(1)</sup>	Option Awards <sup>(1)</sup>	Change in Pension Value and Nonqualified Deferred Compensation Earnings <sup>(2)</sup>	Total
Nora A. Aufreiter	\$ 84,772	\$165,586	—	—	\$250,358
Robert D. Beyer	\$124,664	\$165,586	—	\$ 8,271	\$298,521
Anne Gates <sup>(3)</sup>	\$ 13,280	\$ 98,136	—	—	\$ 111,416
Susan J. Kropf	\$ 94,745	\$165,586	—	—	\$260,331
David B. Lewis	\$ 84,772	\$165,586	—	—	\$250,358
Jorge P. Montoya	\$ 99,731	\$165,586	—	—	\$265,317
Clyde R. Moore	\$104,718	\$165,586	—	\$11,753	\$282,057
Susan M. Phillips	\$ 94,745	\$165,586	—	\$ 2,701	\$263,032
James A. Runde	\$ 99,731	\$165,586	—	—	\$265,317
Ronald L. Sargent	\$114,691	\$165,586	—	\$ 2,777	\$283,054
Bobby S. Shackouls	\$ 94,745	\$165,586	—	—	\$260,331

- (1) Amounts reported in the Stock Awards column represent the aggregate grant date fair value of the annual incentive share award, computed in accordance with FASB ASC Topic 718. Options are no longer granted to non-employee directors. The aggregate number of previously granted stock options that remained unexercised and outstanding at fiscal year-end was as follows:

Name	Options
Ms. Aufreiter	—
Mr. Beyer	85,000
Ms. Gates	—
Ms. Kropf	75,000
Mr. Lewis	75,000
Mr. Montoya	75,000
Mr. Moore	65,000
Ms. Phillips	85,000
Mr. Runde	85,000
Mr. Sargent	85,000
Mr. Shackouls	7,800

- (2) The amounts reported for Messrs. Beyer and Sargent and Dr. Phillips represent preferential earnings on nonqualified deferred compensation. For a complete explanation of preferential earnings, please refer to footnote 5 to the Summary Compensation Table. The amount reported for Mr. Moore represents the change in actuarial present value of his accumulated benefit under the pension plan for non-employee directors.
- (3) Ms. Gates joined the Board in December 2015. Her retainer and incentive shares were prorated accordingly.

## **Annual Compensation**

Each non-employee director receives an annual cash retainer of \$85,000. The chairs of each of the Audit Committee and the Compensation Committee receive an additional annual cash retainer of \$20,000. The chair of each of the other committees receives an additional annual cash retainer of \$15,000. Each member of the Audit Committee receives an additional annual cash retainer of \$10,000. The director designated as the Lead Director receives an additional annual cash retainer of \$25,000.

Approximately \$165,000 worth of incentive shares (Kroger common shares) are issued to non-employee directors as a portion of the directors' overall compensation. On July 15, 2015, each non-employee director, except for Ms. Gates, received 4,320 common shares. Ms. Gates received 2,386 common shares on December 10, 2015 upon joining the Board.

The Board has determined that compensation of non-employee directors must be competitive on an ongoing basis to attract and retain directors who meet the qualifications for service on the Board. Non-employee director compensation will be reviewed from time to time as the Corporate Governance Committee deems appropriate.

## **Pension Plan**

Non-employee directors first elected prior to July 17, 1997 receive an unfunded retirement benefit equal to the average cash compensation for the five calendar years preceding retirement. Only Mr. Moore is eligible for this benefit. Participants who retire from the Board prior to age 70 will be credited with 50% vesting after five years of service, and 10% for each additional year up to a maximum of 100%. Benefits for participants who retire prior to age 70 begin at the later of actual retirement or age 65.

## **Nonqualified Deferred Compensation**

We also maintain a deferred compensation plan for non-employee directors. Participants may defer up to 100% of their cash compensation and/or the receipt of all (and not less than all) of the annual award of incentive shares.

### ***Cash Deferrals***

Cash deferrals are credited to a participant's deferred compensation account. Participants may elect from either or both of the following two alternative methods of determining benefits:

- interest accrues until paid out at the rate of interest determined prior to the beginning of the deferral year to represent Kroger's cost of ten-year debt; and/or
- amounts are credited in "phantom" stock accounts and the amounts in those accounts fluctuate with the price of Kroger common shares.

In both cases, deferred amounts are paid out only in cash, based on deferral options selected by the participant at the time the deferral elections are made. Participants can elect to have distributions made in a lump sum or in quarterly installments, and may make comparable elections for designated beneficiaries who receive benefits in the event that deferred compensation is not completely paid out upon the death of the participant.

### ***Incentive Share Deferrals***

Participants may also defer the receipt of all (and not less than all) of the annual award of incentive shares. Distributions will be made by delivery of Kroger common shares within 30 days after the date which is 6 months after the participant's separation of service.