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 2017 fiscal year ended February 3, 2018, 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 and Chief Operating Officer
Christopher T. Hjelm	Executive Vice President and Chief Information Officer
Stuart W. Aitken	Group Vice President

Summary of Key Compensation Practices

What we do:	What we do not do:
✓ Align pay and performance	✘ No employment contracts with executives
✓ Significant share ownership guidelines of 5x salary for our CEO	✘ No special severance or change of control programs applicable only to executive officers
✓ Multiple performance metrics under our short- and long-term performance-based plans discourage excessive risk taking	✘ No tax gross-up payments for executives
✓ Balance between short-term and long-term compensation to discourage short-term risk taking at the expense of long-term results	✘ No re-pricing or backdating of options
✓ Engagement of an independent compensation consultant	✘ No guaranteed salary increases or bonuses
✓ Robust clawback policy	✘ No payment of dividends or dividend equivalents until performance units are earned
✓ Ban on hedging, pledging and short sales of Kroger securities	✘ No single-trigger cash severance benefits upon a change in control
✓ Limited perquisites	

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.

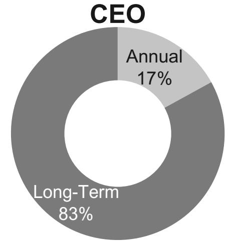
	Element	Form	Description	
ANNUAL / SHORT-TERM INCENTIVE	Base Salary	Cash	• Attract, incentivize, retain talented executives • Benchmarked to peer group • Fixed cash component • Board reviews annually • No automatic or guaranteed increases • Based on individual performance & experience	FIXED
	Other Benefits	Retirement & Limited Perquisites	• Kroger maintains several defined benefit and defined contribution retirement plans for its employees, in addition to an executive deferred compensation plan and The Kroger Co. Employee Protection Plan • Executives receive limited perquisites because the Compensation Committee does not believe it is necessary for the attraction or retention of executive talent	
	Annual Incentive Plan	Cash Bonus	• Metrics and targets align with annual business goals; payout depends on actual performance against each goal • Rewards and incentivizes Kroger employees, including NEOs, for annual performance on key financial and operational measures • Benchmarked to peer group median	VARIABLE / AT-RISK
LONG-TERM INCENTIVE	Long-Term Incentive Plan	Performance Units Long-Term Cash Bonus	• Drive profitability and growth, create shareholder value, foster executive retention, and align executive and shareholder interests • All components paid in performance-based long-term cash bonuses and performance units to align executive and shareholder interests; vesting over a 3-year period • Rewards and incentivizes approximately 170 key employees, including NEOs, for long-term performance on key financial and operational measures	
	Time-Based Awards	Restricted Stock Stock Options	• Stock options and restricted stock for NEOs vest over 5 years; exercise price of stock options is closing price on day of grant • Provides direct alignment to stock price appreciation and rewards executives for the achievement of long-term business objectives and providing incentives for the creation of shareholder value	

The amounts used in the charts below are based on the amounts reported in the Summary Compensation Table for 2017, excluding the Change in Pension Value and Nonqualified Deferred Compensation Earnings column.

CEO

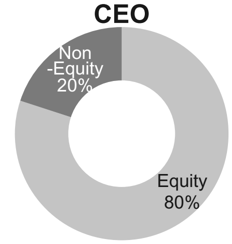
84% of CEO pay is At Risk

CEO



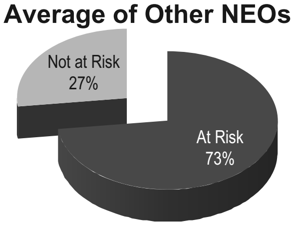
83% of CEO pay is Long-Term

CEO



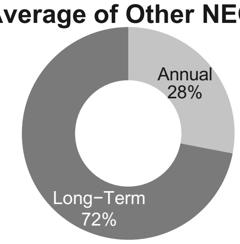
80% of CEO pay is Equity

Average of Other NEOs



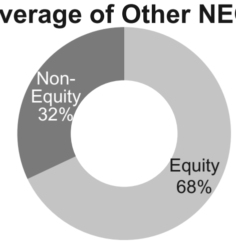
73% of Other NEO pay is At Risk

Average of Other NEOs



72% of Other NEO pay is Long-Term

Average of Other NEOs



68% of Other NEO pay is Equity

Looking Ahead – Realignment of Performance-Based Pay to Restock Kroger for 2018 and Beyond

Restock Kroger

In October 2017, we announced *Restock Kroger,* our plan to redefine the food and grocery customer experience in America and to create value for our shareholders. We developed the plan because, though we are proud of our long history of success and our strengths, we recognize that what got us here will not get us where we want to be in the future. *Restock Kroger* has four main drivers:

1. **Redefine the Food and Grocery Customer Experience**: Focus on data and personalization, digital, space optimization, Our Brands, and smart pricing

2. **Expand Partnerships to Create Customer Value**: Focus on front end transformation, technology innovation, cost reduction and alternative revenue streams
3. **Develop Talent**: Accelerate high-performance leadership culture through future talent development, training, and a rebalancing of pay and benefits
4. **Live Kroger's Purpose**: Meet Zero Hunger | Zero Waste targets and achieve 2020 sustainability goals

The three-year *Restock Kroger* plan is fueled by capital investments, cost savings and free cash flow. As a result of our plan, over the next three years (2018 – 2020), we expect to generate:

- $400 million in incremental FIFO operating profit, and
- $6.5 billion of free cash flow before dividends (double the performance of the previous three years).

We have prioritized our estimated $9 billion in capital investments to support *Restock Kroger* over the next three years. We are looking first for sales-driving and cost-savings opportunities across both brick-and-mortar and digital platforms; followed by investments in logistics and technology platforms; and finally capital for storing activity.[*]

Our Compensation Committee is Focused on Pay for Performance

The Compensation Committee has long maintained a strong pay for performance philosophy. Compensation must align the interests of our NEOs with the interests of our shareholders and must create incentives to achieve the annual business plan targets and longer term company objectives.

We implemented a long-term performance based bonus program for NEOs more than ten years ago, and the metrics were tailored to our long-term measures at that time. As our business objectives have shifted, the Compensation Committee is focused on ensuring performance metrics are aligned with our long-term strategy.

Our Long-Term Compensation Program: Align with Restock Kroger

We have made new commitments to shareholders on a three-year time horizon under *Restock Kroger.* We believe that the success of *Restock Kroger* depends on the focused attention of our leadership team and associates on the goals of *Restock Kroger* and that it is essential to implement new performance metrics that mirror these new commitments. We are describing our approach for developing our 2018 LTIP program, even though it is still a work in progress, to be transparent about how we are planning to make changes to our program to align with *Restock Kroger*.

Our 2018 three-year long-term plan (2018 – 2020) will have performance metrics tied to *Restock Kroger* goals*:* free cash flow and cost savings included in FIFO operating profit growth, with a return on invested capital modifier. We are implementing a metric based on the cost savings imbedded in the achievement of operating profit growth, because cost savings is essential to fund the strategic projects that will produce the operating profit growth. We believe it is a more meaningful metric than operating profit growth itself, because it forces us to focus on the savings that we need to support sustainable incremental operating profit growth.

Since we grant a new three-year long-term incentive plan each year, at any one time, there are three outstanding plans. As we are mid-cycle in the 2016 – 2018 and 2017 – 2019 long-term plans, we feel strongly that we should focus on *Restock Kroger* metrics rather than having competing priorities. As a result, the Compensation Committee has determined that the metrics of the mid-cycle plans should be modified to align with *Restock Kroger.*

For the outstanding 2016 – 2018 long-term plan, fiscal year 2016 and 2017 performance will be measured on the existing plan metrics and will be applied to two-thirds of the previously granted cash and performance unit bonus target amounts. Fiscal year 2018 performance will be measured on the *Restock Kroger* metrics of free cash flow and savings included in FIFO operating profit growth, and will be applied to one-third of the previously granted cash and performance unit bonus target amounts.

Similarly, for the outstanding 2017 – 2019 long-term plan, fiscal year 2017 performance will be measured on the existing plan metrics and will be applied to one-third of the previously granted cash and performance unit bonus target amounts. Fiscal year 2018 and 2019 performance will be measured on the *Restock Kroger* metrics of free cash flow and cost savings included in FIFO operating profit growth, and will be applied to two-thirds of the previously granted cash and performance unit bonus target amounts.

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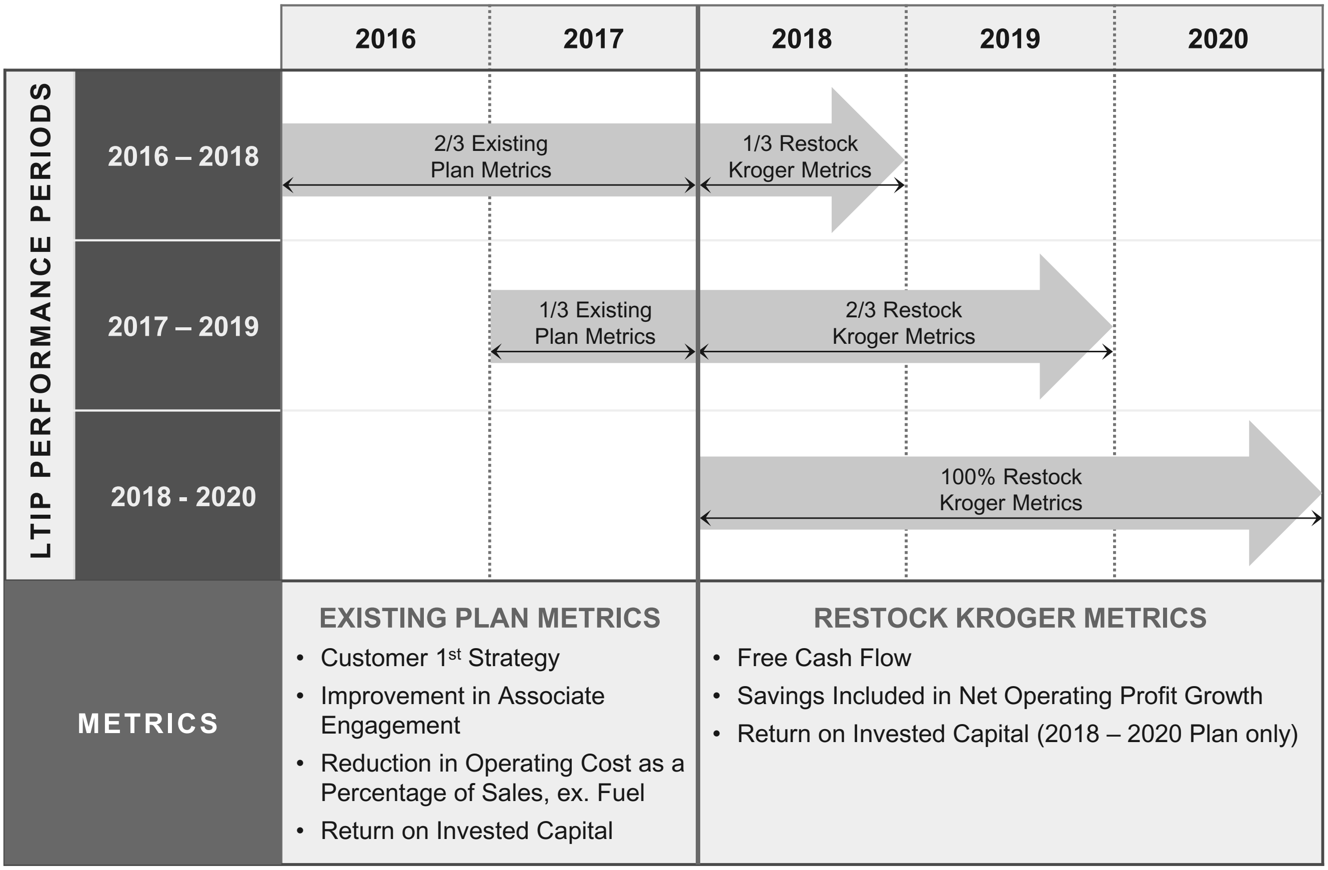
[*] For important risk, uncertainties and other factors relating to these forward-looking statements, see the Risk Factors in our Annual Report on Form 10-K that accompanies this proxy statement.

With respect to the mid-cycle plans, we are not adjusting cash bonus potentials or re-issuing previously issued performance unit grants and we are not allowing NEOs to re-earn cash and performance units that were not earned in the completed year(s) of the outstanding plans. We did not change the timing of the payout under the outstanding plans. These plan updates are illustrated below.



Our Annual Cash Bonus Program: Based on Meeting Financial Goals

We have also redesigned the performance-based annual cash bonus plan to better align with our financial goals of *Restock Kroger* and to simplify the way we reward our associates. The 2018 annual plan has the following metrics:

1. ID sales
2. Earnings per share
3. Strategic business plans that support *Restock Kroger*

To further support the cost saving focus of *Restock Kroger,* for any payout under the strategic business plans metric, the Company must have met its cost savings goals for 2018.

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 as well as 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 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 NEO'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 NEOs 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 individuals who are best suited to be an officer at Kroger.
- Second, a majority of compensation should help align the interests of our NEOs with the interests of our shareholders.
- Third, compensation should create strong incentives for the NEOs 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 2014 Long-Term Incentive and Cash Bonus Plan, which was approved by our shareholders in 2014.

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 all of 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 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;
- Decision-making abilities;
- Performance of the areas or groups directly reporting to the NEO;
- Increased responsibilities;
- Strategic thinking; and
- Furtherance of Kroger's core values.

Annual Compensation – Performance-Based Annual Cash Bonus

The NEOs participate in a performance-based annual cash bonus plan. The amount of annual cash bonus that the NEOs earn each year is based upon Kroger's performance compared to goals established by the Compensation Committee and the independent directors based on the business plan adopted by the Board of Directors. A minimum level of performance must be achieved before any payouts are earned, while a payout of up to 200% of target bonus potential can be achieved for superior performance. There are no guaranteed or minimum payouts; if none of the performance goals are achieved, then none of the bonus is earned and no payout is made.

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 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 or as high as 200% of the potential bonus amount if the performance far exceeds these pre-established goals.

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 an NEO's total cash compensation should be dependent upon Kroger's performance;
- The individual's level in the organization and the internal relationship of annual cash bonus potentials within Kroger;
- Individual performance;
- The recommendation of the CEO for the other NEOs; and
- The compensation consultant's benchmarking report regarding annual cash bonus potential and total compensation awarded by our peer group.

2017 Annual Cash Bonus Plan Metrics

The 2017 annual cash bonus plan had the following measurable performance metrics, all of which are interconnected:

Metric	Weight	Rationale for Use
ID Sales	20%	• ID Sales represent sales, without fuel, at our supermarkets that have been open without expansion or relocation for five full quarters. • 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.
Net Operating Profit, without Supermarket Fuel Operating Profit ("Net Operating Profit")(1)	20%	• Net Operating Profit allows us to evaluate our earnings from operating the business; we cannot achieve solid Net Operating Profit without a strong operating model. • This is a good measure of the profitability of the business which takes into account the capital invested to generate the earnings.
Customer 1st Strategy	60%	• Kroger's Customer 1st Strategy is the focus, in our decision-making, on the customer. The "Four Keys" of our Customer 1st Strategy are People, Products, Shopping Experience and Price. • This proprietary metric includes a mixture of strategic and operational metrics that measure the improvement in how Kroger is perceived by customers in each of the Four Keys. • Annual cash bonus payout is based on certain elements of the Customer 1st Strategy, to highlight annual objectives that are intended to receive the most focused attention in that year.
Total of 3 Metrics	**100%**	
ClickList Bonus	5% "Kicker"	• An additional 5% is earned if Kroger achieves certain goals with respect to our ClickList expansion and operations. • The ClickList bonus is included in the annual cash bonus plan as an incentive to encourage the addition of ClickList locations at a faster rate, while maintaining certain operating and financial standards. • The ClickList bonus of 5% is only available if the pre-determined measures are met. If any of the goals are not met, no portion of the ClickList bonus is earned.

(1) Net Operating Profit is calculated as gross profit, minus operating, general and administrative expenses, minus depreciation and amortization, excluding supermarket fuel and the non-Kroger portion of earnings of consolidated variable interest entities.

Results of 2017 Annual Cash Bonus Plan

The 2017 goals established by the Compensation Committee, the actual 2017 results and the bonus percentage earned for each of the performance metrics of the 2017 annual cash bonus plan were as follows:

Performance Metrics	Goals: Minimum	Goals: Target (100%)	Actual Performance	Actual Performance Compared to Minimum Goal (A)	Weight (B)	Amount Earned (A) x (B)
ID Sales	0.90%	2.90%	0.71%	0%	20%	0%
Net Operating Profit	$2.93 Billion	$3.45 Billion	$2.85 Billion	0%	20%	0%
Customer 1st Strategy(1)	*	*	*	*	60%	3.8%
ClickList Bonus(2)	*	*	*	*	0% or 5%	0%
Total Earned						3.8%

(1) The Customer 1st Strategy goal also was established by the Compensation Committee at the beginning of the year, but is not disclosed as it is competitively sensitive.

(2) An additional 5% would have been earned if Kroger had achieved certain goals with respect to its ClickList expansion and operation. These goals were established by the Compensation Committee at the beginning of the year, but are not disclosed as they are competitively sensitive.

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. Due to our performance when compared to the goals established by the Compensation Committee, the NEOs earned 3.8% of their bonus potentials.

In 2017, 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 – however, no adjustments were made in 2017 that affected NEO bonuses. 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.

The actual annual cash bonus percentage payout for 2017 represented performance that did not meet many of our business plan objectives. 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 2011, 2014 and 2015, when payouts significantly exceeded 100%. In those years, we achieved and/or exceeded many of our business plan objectives. A comparison of actual annual cash bonus percentage payouts this year and in prior years demonstrates the variability of annual cash bonus incentive compensation and its strong link to our performance:

Fiscal Year	Annual Cash Bonus Payout Percentage
2017	3.8%
2016	19.9%
2015	126.7%
2014	121.5%
2013	104.9%
2012	85.9%
2011	138.7%
2010	53.9%
2009	38.5%
2008	104.9%

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 2017 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:

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

Long-term incentives are structured to be a combination of performance- and time-based compensation that reflects elements of financial and common shares 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 common shares performance creating alignment between the NEOs and our shareholders' interests. Options have no initial value and recipients only realize benefits if the value of our common shares 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 Executive Compensation Tables section.

Long-Term Incentive Plan Design

In recent years, we have adopted a similar Long-Term Incentive Plan each year, which provides for overlapping three-year performance periods. The Long-Term Incentive Plans adopted in 2015, 2016 and 2017, which consist of a performance-based long-term cash bonus and performance units, have 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 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.

Long-Term Incentive Plan Metrics

The following table summarizes the Long-Term Incentive Plans adopted in 2015, 2016 and 2017:

Metric	Rationale for Use
Customer 1st Strategy	• Kroger's Customer 1st Strategy is the focus, in our decision-making, on the customer. The Four Keys of our Customer 1st Strategy are People, Products, Shopping Experience and Price. • This proprietary metric measures the improvement in how Kroger is perceived by customers in each of the Four Keys. • Long-Term Incentive Plan payout is based on all of the elements of the Customer 1st Strategy, to maintain our top executives' consistent focus on the entirety of the Customer 1st Strategy. This is in contrast to the 2017 annual cash bonus payout, which is based on certain elements of the Customer 1st Strategy, to highlight annual objectives that are intended to receive the most focused attention in that year.
Improvement in Associate Engagement	• Kroger measures associate engagement in an annual survey of associates. • This metric is included in these Long-Term Incentive Plans 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.
Reduction in Operating Costs(1) as a Percentage of Sales, without Fuel	• 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. • We strive to be disciplined, so that as the Company grows, expenses are properly managed. Including this metric in these Long-term Incentive Plans, provides an incentive to implement policies for sustainable improvement over a long period of time.
ROIC(2)	• Part of our long-term growth strategy is to make substantial capital investments over time. We have a pipeline of high quality projects. • With significant capital spend, it is essential that we achieve the proper returns on our investments. • This measure is intended to hold executives accountable for the returns on the capital investments.

(1) Operating Costs is a non-GAAP measure and 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 costs in the year in which they otherwise would have been incurred.

(2) Return on invested capital is a non-GAAP measure and 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 last-in, first out ("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 for the years shown, as adopted:

	2015 Plan	2016 Plan	2017 Plan
Performance Period	2015 to 2017	2016 to 2018	2017 to 2019
Payout Date	March 2018	March 2019	March 2020
Long-term Cash Bonus Potential	Salary at end of fiscal year 2014*	Salary at end of fiscal year 2015*	Salary at end of fiscal year 2016*
Performance Metrics			
Customer 1st Strategy	4% payout per unit improvement	4% payout per unit improvement	4% payout per unit improvement
Improvement in Associate Engagement	4% payout per unit improvement	4% payout per unit improvement	4% payout per unit improvement
Reduction in Operating Cost as a Percentage of Sales, without Fuel	0.50% payout per 0.01% reduction in operating costs Baseline: 26.41%	0.50% payout per 0.01% reduction in operating costs Baseline: 26.16%	0.50% payout per 0.01% reduction in operating costs Baseline: 26.23%
ROIC	1% payout per 0.01% improvement in ROIC Baseline: 13.50%	1% payout per 0.01% improvement in ROIC Baseline: 13.73%	4% payout per 0.01% improvement in ROIC Baseline: 13.23%

* Or date of plan entry, if later.

As described above, under "Looking Ahead – Realignment of Performance-Based Pay to Restock Kroger for 2018 and Beyond" the metrics listed above for the 2016 and 2017 plans will be used to measure performance through 2017 and will be applied to the previously granted cash and performance unit bonus targets on a prorated basis. Performance for 2018 and 2019 will be measured on the *Restock Kroger* metrics of free cash flow and cost savings included in FIFO operating profit growth and will also be applied to bonus targets on a prorated basis.

Results of 2015 Long-Term Incentive Plan

The 2015 Long-Term Incentive Plan, which measured improvements over the three year period from 2015 to 2017, paid out in March 2018 and was calculated as follows:

Metric	Baseline	Result	Improvement (A)	Payout per Improvement (B)	Percentage Earned (A) x (B)
Customer 1st Strategy(1)	*	*	6 units of improvement	4.0%	24.0%
Improvement in Associate Engagement(1)	*	*	no improvement	4.0%	0.0%
Reduction in Operating Cost as a Percentage of Sales, without Fuel	26.41%	26.77%	no improvement	0.5%	0.0%
Return on Invested Capital	13.50%	12.31%	no improvement	1.0%	0.0%
Total					24.0%

(1) The Customer 1st 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 24.0% of that executive's long-term cash bonus potential, and was issued the number of Kroger common shares equal to 24.0% 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. The cash payout and dividends paid on common shares earned under the 2015 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, respectively, and the common shares issued under the plan are reported in the 2017 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.

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. 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 2017, the Compensation Committee granted to the NEOs stock options and restricted stock, each with a five-year vesting schedule, with the exception of a special one-time restricted stock grant awarded to each of Messrs. Donnelly and Aitken, each of which vests 25% on each of the first two anniversaries of the grant date and 50% on the third anniversary of the grant date.

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 several defined benefit and 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 (the "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 footnote 6 to the Summary Compensation Table and the 2017 Pension Benefits Table and the accompanying narrative.

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 2017 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 who are classified as exempt under the federal Fair Labor Standards Act and certain administrative or technical support personnel who are not covered by a collective bargaining agreement, with at least one year of service. 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 target annual 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

Our 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 executives a substantial amount of compensation in the form of perquisites. In 2017, all of the NEOs received the following benefits: premiums paid on life insurance policies, premiums paid on accidental death and dismemberment insurance and premiums paid on long-term disability insurance policies. In 2017, Mr. Aitken received reimbursement of tax preparation fees and cell phone fees. Further details on these benefits can be found in footnote 6 to the Summary Compensation 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 CEO. 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 engaged a compensation consultant from Mercer to advise the Compensation Committee in the design of compensation for executive officers, through the 2017 compensation planning cycle.

The Mercer consultant conducted 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 assessed:

- 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).

In addition to the factors identified above, the consultant also reviewed actual payout amounts against the targeted amounts.

The consultant compared these elements against those of other companies in a group of publicly traded companies selected by the Compensation Committee. For 2017, our peer group consisted of:

Best Buy	Home Depot	Target
Cardinal Health	Johnson & Johnson	TJX Companies
Costco Wholesale	Lowes	Wal-Mart
CVS Health	Procter & Gamble	Walgreens Boots Alliance
Express Scripts	Sysco	

The make-up of the compensation peer group is reviewed annually and modified as circumstances warrant. The Compensation Committee modified the peer group in 2016 because of industry consolidation and other competitive forces. Previously, the Compensation Committee used a primary peer group consisting only of food and drug retailers. In addition, the Compensation Committee considered data from "general industry" companies provided by its independent compensation consultant, a representation of major publicly-traded companies of similar size and scope from outside the retail industry. This data provided reference points, particularly for senior executive positions where competition for talent extends beyond the retail sector. The new peer group includes a combination of food and drug retailers, other large retailers based on revenue size, and large consumer-facing companies. Median 2017 revenue for the peer group was $87.8 billion, compared to our 2017 revenue of $122.7 billion.

Considering the size of Kroger in relation to other peer group companies, the Compensation Committee believes that salaries paid to our NEOs should be competitively positioned relative to amounts 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 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 applicable to 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 consultant 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.

The Compensation Committee does not make use of a formula, but both qualitatively and quantitatively considers each of the factors identified above in setting compensation.

Advisory Vote to Approve Executive Compensation

At the 2017 annual meeting, we held our seventh annual advisory vote on executive compensation. Over 93% of the votes cast were in favor of the advisory vote in 2017. The Compensation Committee believes it conveys our shareholders' support of the Compensation Committee's decisions and the existing executive compensation programs. The Compensation Committee made no material changes in the structure of our compensation programs for 2017 or our pay for performance philosophy. At the 2017 annual meeting, we held an advisory vote on the frequency of the advisory vote on executive compensation. Approximately 88% of the votes cast were in favor of an annual vote and accordingly, we will continue to have an annual advisory vote.

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:

Position	Multiple
Chief Executive Officer	5 times base salary
President and Chief Operating Officer	4 times base salary
Executive Vice Presidents and Senior Vice Presidents	3 times base salary
Group Vice Presidents, Division Presidents, and Other Designated Key Executives	2 times base salary
Non-employee Directors	5 times annual base cash retainer

All covered individuals are expected to achieve the target level within five years of appointment to their positions. Until the requirements are met, covered 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 common 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 Compensation 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 prohibiting Kroger directors and executive officers from engaging, directly or indirectly, in the pledging of, hedging transactions in, or short sales of, Kroger securities.

Section 162(m) of the Internal Revenue Code

Prior to the effective date of the Tax Cuts and Jobs Act of 2017, Section 162(m) of the Code generally disallowed a federal tax deduction to public companies for compensation greater than $1 million paid in any tax year to specified executive officers unless the compensation was "qualified performance-based compensation" under that section. Pursuant to the Tax Cuts and Jobs Act of 2017, the exception for "qualified performance-based compensation" under Section 162(m) of the Code was eliminated with respect to all remuneration in excess of $1 million other than qualified performance based compensation pursuant to a written binding contract in effect on November 2, 2017 or earlier which was not modified in any material respect on or after such date (the legislation providing for such transition rule, the "Transition Rule").

As a result, performance based compensation that the Compensation Committee structured in previous years with the intent of qualifying as performance-based compensation under Section 162(m) that will be paid after January 1, 2018 may not be fully deductible, depending on the application of the Transition Rule. The committee will—consistent with its past practice—continue to retain flexibility to design compensation programs that are in the best long-term interests of the company and our shareholders, with deductibility of compensation being one of a variety of considerations taken into account.

Compensation Committee Report

The Compensation Committee has reviewed and discussed with Kroger's management 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 Board that the Compensation Discussion and Analysis be included in Kroger's proxy statement and incorporated by reference into its Annual Report on Form 10-K.

Compensation Committee:

Clyde R. Moore, Chair
Susan J. Kropf
Jorge P. Montoya
James A. Runde

Executive 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(1)	Fiscal Year	Salary ($)	Stock Awards ($)(2)	Option Awards ($)(3)	Non-Equity Incentive Plan Compensation ($)(4)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)(5)	All Other Compensation ($)(6)	Total ($)
W. Rodney McMullen	2017	1,318,752	5,166,317	2,700,116	359,806	1,691,406	298,463	11,534,860
Chairman and Chief	2016	1,251,781	5,125,034	2,699,044	719,945	3,139,537	282,051	13,217,392
Executive Officer	2015	1,216,665	4,332,252	2,300,092	2,999,693	618,033	279,656	11,746,391
J. Michael Schlotman	2017	898,316	1,973,228	1,040,846	207,136	873,808	242,637	5,235,971
Executive Vice President	2016	850,360	1,973,247	1,040,436	372,855	1,436,752	141,427	5,815,077
and Chief Financial Officer	2015	793,825	2,489,148	1,040,847	1,394,752	44,163	148,104	5,910,839
Michael J. Donnelly	2017	817,967	2,230,028	780,637	183,832	1,032,483	247,149	5,292,096
Executive Vice President	2016	757,036	1,480,011	780,323	341,308	2,207,236	188,569	5,754,483
and Chief Operating Officer	2015	700,684	1,919,013	585,529	1,274,152	321,545	175,112	4,976,035
Christopher T. Hjelm	2017	744,245	1,480,025	780,637	173,536	520	190,917	3,369,880
Executive Vice President	2016	706,567	1,480,011	780,323	326,280	832	151,201	3,445,214
and Chief Information Officer	2015	653,368	1,992,003	780,633	1,302,852	168	138,145	4,867,169
Stuart W. Aitken	2017	721,328	1,275,567	262,612	160,015	-	110,363	2,529,884
Group Vice President								

(1) Mr. Aitken became an NEO in 2017.

(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 2017:

Name	Restricted Stock	Performance Units
Mr. McMullen	$ 3,750,010	$ 1,416,307
Mr. Schlotman	$ 1,479,921	$ 493,307
Mr. Donnelly	$ 1,860,019	$ 370,009
Mr. Hjelm	$ 1,110,016	$ 370,009
Mr. Aitken	$ 1,151,111	$ 124,456

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 2017.

Assuming that the highest level of performance conditions is achieved, the aggregate fair value of the 2017 performance unit awards at the grant date is as follows:

Name	Value of Performance Units Assuming Maximum Performance
Mr. McMullen	$2,832,614
Mr. Schlotman	$ 986,614
Mr. Donnelly	$ 740,018
Mr. Hjelm	$ 740,018
Mr. Aitken	$ 248,911

(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 2017.

(4) Non-equity incentive plan compensation earned for 2017 consists of amounts earned under the 2017 performance-based annual cash bonus plan and the 2015 Long-Term Incentive Plan.

Name	Annual Cash Bonus	Long-Term Cash Bonus
Mr. McMullen	$ 71,806	$ 288,000
Mr. Schlotman	$ 24,736	$ 182,400
Mr. Donnelly	$ 24,736	$ 159,096
Mr. Hjelm	$ 24,736	$ 148,800
Mr. Aitken	$ 16,160	$ 143,855

In accordance with the terms of the 2017 performance-based annual cash bonus plan, Kroger paid 3.8% to the NEOs. These amounts were earned with respect to performance in 2017 and paid in March 2018. See "Results of 2017 Annual Cash Bonus Plan" in the Compensation Discussion and Analysis ("CD&A") for more information on this plan.

The long-term cash bonus awarded under the 2015 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 2015, 2016 and 2017 and amounts earned under the plan were paid in March 2018. In accordance with the terms of the plan, participants earned and Kroger paid 24% 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 2014, and for Mr. Aitken, the day he became eligible for the plan. See "Results of 2015 Long-Term Incentive Plan" in the CD&A for more information on this plan.

(5) For 2017, the amounts reported consist of the aggregate change in the actuarial present value of each NEO's accumulated benefit under a defined benefit pension plan (including supplemental plans), which applies to Messrs. McMullen, Schlotman, Donnelly and Hjelm, and preferential earnings on nonqualified deferred compensation, which applies to Messrs. McMullen, Donnelly and Hjelm. Mr. Aitken does not participate in a pension plan and neither Mr. Schlotman nor Mr. Aitken participate in a nonqualified deferred compensation plan.

Name	Change in Pension Value	Preferential Earnings on Nonqualified Deferred Compensation
Mr. McMullen	$1,591,548	$99,858
Mr. Schlotman	$ 873,808	—
Mr. Donnelly	$1,026,782	$ 5,701
Mr. Hjelm	$ 313	$ 207
Mr. Aitken	—	—

Change in Pension Value. These amounts represent the aggregate change in the actuarial present value of accumulated pension benefits. 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 increase in the actuarial present value of accumulated pension benefits for 2017 compared to 2016 is due to a lower discount rate and additional benefits accrued, as applicable. Please see the 2017 Pension Benefits section for further information regarding the assumptions used in calculating pension benefits.

Preferential Earnings on Nonqualified Deferred Compensation. Messrs. McMullen, Donnelly and Hjelm participate in The Kroger Co. Executive Deferred Compensation Plan (the "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 fifteen of the twenty-four 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 2017 earn interest at a rate higher than 120% of the corresponding federal rate; accordingly, there are preferential earnings on these amounts.

(6) Amounts reported in the "All Other Compensation" column for 2017 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, and dividends paid on unvested restricted stock. The following table identifies the value of each benefit.

Name	Life Insurance Premiums	Retirement Plan Contributions[(a)]	Payment of Dividend Equivalents on Earned Performance Units	Dividends Paid on Unvested Restricted Stock	Other[(b)]
Mr. McMullen	$ 94,386	—	$16,718	$187,359	—
Mr. Schlotman	$165,719	—	$ 8,247	$ 68,671	—
Mr. Donnelly	$147,823	$45,733	$ 4,639	$ 48,954	—
Mr. Hjelm	$100,665	$36,043	$ 6,186	$ 48,023	—
Mr. Aitken	$ 23,508	$48,824	$ 2,066	$ 24,898	$11,067

(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 Company also makes contributions to NEOs' accounts under the applicable defined contribution plan restoration plan, which is intended to make up the shortfall in retirement benefits caused by the limitations on benefits to highly compensated individuals under the defined contribution plans in accordance with the Code. The aggregate amounts in the table above represent the following contributions for 2017:

- Mr. Donnelly – a $13,500 matching contribution to the Dillon Companies, Inc. Employees' Profit Sharing Plan and a $32,233 matching contribution to the Dillon Companies, Inc. Excess Benefit Profit Sharing Plan;
- Mr. Hjelm – a $10,872 matching contribution and a $2,000 automatic company contribution to The Kroger Co. 401(k) Retirement Savings Account Plan (the "401(k) Plan") and a $23,171 contribution to The Kroger Co. 401(k) Retirement Savings Account Restoration Plan (the "Restoration Plan"); and
- Mr. Aitken – a $10,864 matching contribution and a $2,000 automatic company contribution to the 401(k) Plan and a $35,960 contribution to the Restoration Plan.

(b) *Other.* For each of Messrs. McMullen, Schlotman, Donnelly and Hjelm the total amount of other benefits was less than $10,000. For Mr. Aitken, this amount includes the dollar value of insurance premiums paid by the Company on accidental death and dismemberment insurance and long-term disability insurance and reimbursement of tax preparation fees and cell phone fees.

2017 Grants of Plan-Based Awards

The following table provides information about equity and non-equity incentive awards granted to the NEOs in 2017.

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 (#)(4)	All Other Option Awards: Number of Securities Underlying Options (#)(5)	Exercise or Base Price of Option Awards ($/Sh)	Grant Date Fair Value of Stock and Option Awards
		Target ($)	Maximum ($)	Target (#)(3)	Maximum (#)(3)				
W. Rodney McMullen		$1,889,623(1)	$3,779,245(1)						
		$ 57,488(2)	$1,277,500(2)						
	7/13/2017			5,561	123,587				$ 1,416,307
	7/13/2017					163,613			$ 3,750,010
	7/13/2017						573,127	$ 22.92	$ 2,700,116
J. Michael Schlotman		$ 650,943(1)	$1,301,887(1)						
		$ 39,161(2)	$ 870,240(2)						
	7/13/2017			1,937	43,046				$ 493,307
	7/13/2017					64,569			$ 1,479,921
	7/13/2017						220,930	$ 22.92	$ 1,040,846
Michael J. Donnelly		$ 650,943(1)	$1,301,887(1)						
		$ 34,763(2)	$ 772,500(2)						
	7/13/2017			1,453	32,287				$ 370,009
	7/13/2017					48,430			$ 1,110,016
	12/7/2017					28,270			$ 750,003
	7/13/2017						165,698	$ 22.92	$ 780,637
Christopher T. Hjelm		$ 650,943(1)	$1,301,887(1)						
		$ 32,445(2)	$ 721,000(2)						
	7/13/2017			1,453	32,287				$ 370,009
	7/13/2017					48,430			$ 1,110,016
	7/13/2017						165,698	$ 22.92	$ 780,637
Stuart W. Aitken		$ 425,250(1)	$ 850,500(1)						
		$ 31,286(2)	$ 695,250(2)						
	7/13/2017			489	10,860				$ 124,456
	7/13/2017					17,500			$ 401,100
	7/13/2017					32,723			$ 750,011
	7/13/2017						55,742	$ 22.92	$ 262,612

(1) These amounts relate to the 2017 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" is two times that officer's annual cash bonus potential amount. Each NEO's target and maximum amounts are prorated to reflect his increased annual cash bonus potential following the annual compensation review. The amounts actually earned under this plan were paid in March 2018 and are included in the Summary Compensation Table for 2017 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 under the 2017 Long-Term Incentive Plan, which covers performance during fiscal years 2017, 2018 and 2019. The long-term cash bonus potential amount equals the annual base salary of the NEOs as of the last day of fiscal 2016. 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" is 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, in accordance with SEC rules, the amount listed under "Target" is a representative amount based on 2017 performance.

(3) These amounts represent performance units awarded under the 2017 Long-Term Incentive Plan, which covers performance during fiscal years 2017, 2018 and 2019. 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, in accordance with SEC rules, the amount listed under "Target" is a representative amount based on 2017 performance. 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 2017 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 2017. 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 2017 in the “Stock Awards” column and described in footnote 2 to that table.

(5) These amounts represent the number of stock options granted in 2017. 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 2017 in the “Option Awards” column.

The Compensation Committee, and the independent members of the Board in the case of the CEO, established the bonus potential amounts for the performance-based annual cash bonus awards (shown in this table as “Target”), the number of performance units awarded (shown in this table as “Maximum”), and the bonus potential amounts for the long-term cash bonus awards (shown in this table as “Maximum”). Amounts are payable to the extent that Kroger’s actual performance meets specific performance metrics established by the Compensation Committee at the beginning of the performance period. There are no guaranteed or minimum payouts; if none of the performance metrics are achieved, then none of the award is earned and no payout is made. As described in the CD&A, actual earnings under the performance-based annual 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 performance units and the long-term cash bonus potentials awarded under the 2017 Long-Term Incentive Plan are more particularly described in the CD&A.

The annual restricted stock and nonqualified stock options awards granted to the NEOs vest in equal amounts on each of the first five anniversaries of the grant date, so long as the officer remains a Kroger employee. Mr. Donnelly’s 12/7/17 restricted stock award of 28,270 shares and Mr. Aitken’s 7/13/17 restricted stock award of 32,373 shares were special awards that vest 25% on each of the first two anniversaries of the grant date and 50% on the third anniversary of the grant date. Any dividends declared on Kroger common shares are payable on unvested restricted stock.

2017 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 2017. 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 $29.34 on February 2, 2018, the last trading day of 2017.

	Option Awards				Stock Awards			
Name	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	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	130,000	—	$14.31	6/26/2018	14,616[6]	$428,833	0[15]	$0[15]
McMullen	130,000	—	$11.17	6/25/2019	32,000[7]	$938,880	5,561[16]	$171,458[16]
	140,000	—	$10.08	6/24/2020	45,000[8]	$1,320,300		
	182,880	—	$12.37	6/23/2021	51,657[9]	$1,515,616		
	194,880	—	$10.98	7/12/2022	80,044[10]	$2,348,491		
	155,904	38,976[1]	$18.88	7/15/2023	163,613[11]	$4,800,405		
	180,000	120,000[2]	$24.67	7/15/2024				
	94,166	141,249[3]	$38.33	7/15/2025				
	71,618	286,473[4]	$37.48	7/13/2026				
	—	573,127[5]	$22.92	7/13/2027				
J. Michael	50,000	—	$10.08	6/24/2020	8,196[6]	$240,471	0[15]	$0[15]
Schlotman	91,280	—	$12.37	6/23/2021	12,000[8]	$352,080	1,937[16]	$59,720[16]
	109,280	—	$10.98	7/12/2022	23,166[9]	$679,690		
	87,424	21,856[1]	$18.88	7/15/2023	4,445[12]	$130,416		
	48,000	32,000[2]	$24.67	7/15/2024	31,589[10]	$926,821		
	42,612	63,919[3]	$38.33	7/15/2025	64,569[11]	$1,894,454		
	27,607	110,431[4]	$37.48	7/13/2026				
	—	220,930[5]	$22.92	7/13/2027				
Michael J.	40,000	—	$10.08	6/24/2020	4,804[6]	$140,949	0[15]	$0[15]
Donnelly	70,720	—	$12.37	6/23/2021	9,000[8]	$264,060	1,453[16]	$44,793[16]
	50,720	—	$10.98	7/12/2022	17,729[9]	$520,169		
	40,576	—	$18.88	7/15/2023	4,445[12]	$130,416		
	36,000	24,000[2]	$24.67	7/15/2024	23,693[10]	$695,153		
	23,971	35,958[3]	$38.33	7/15/2025	48,430[11]	$1,420,936		
	20,705	82,823[4]	$37.48	7/13/2026	28,270[13]	$829,442		
	—	165,698[5]	$22.92	7/13/2027				
Christopher T.	16,000	—	$11.17	6/25/2019	3,804[6]	$111,609	0[15]	$0[15]
Hjelm	24,000	—	$10.08	6/24/2020	9,000[8]	$264,060	1,453[16]	$44,793[16]
	40,576	—	$12.37	6/23/2021	17,376[9]	$509,812		
	50,720	—	$10.98	7/12/2022	4,445[12]	$130,416		
	40,576	10,144[1]	$18.88	7/15/2023	23,693[10]	$695,153		
	36,000	24,000[2]	$24.67	7/15/2024	48,430[11]	$1,420,936		
	31,959	47,939[3]	$38.33	7/15/2025				
	20,705	82,823[4]	$37.48	7/13/2026				
	—	165,698[5]	$22.92	7/13/2027				
Stuart W. Aitken	8,930	13,396[3]	$38.33	7/15/2025	4,853[9]	$142,387	0[15]	$0[15]
	6,965	27,863[4]	$37.48	7/13/2026	6,667[6]	$195,610	489[16]	$15,067[16]
	—	55,742[5]	$22.92	7/13/2027	8,562[10]	$251,209		
					17,500[11]	$513,450		
					32,723[14]	$960,093		

(1) Stock options vest on 7/15/2018.

(2) Stock options vest in equal amounts on 7/15/2018 and 7/15/2019.

(3) Stock options vest in equal amounts on 7/15/2018, 7/15/2019, and 7/15/2020.

(4) Stock options vest in equal amounts on 7/13/2018, 7/13/2019, 7/13/2020, and 7/13/2021.

(5) Stock options vest in equal amounts on 7/13/2018, 7/13/2019, 7/13/2020, 7/13/2021 and 7/13/2022.

(6) Restricted stock vests on 7/15/2018.

(7) Restricted stock vests on 12/12/2018.

(8) Restricted stock vests in equal amounts on 7/15/2018 and 7/15/2019.

(9) Restricted stock vests in equal amounts on 7/15/2018, 7/15/2019, and 7/15/2020.

(10) Restricted stock vests in equal amounts on 7/13/2018, 7/13/2019, 7/13/2020, and 7/13/2021.

(11) Restricted stock vests in equal amounts on 7/13/2018, 7/13/2019, 7/13/2020, 7/13/2021 and 7/13/2022.

(12) Restricted stock vests on 9/17/2018.

(13) Restricted stock vests 25% on each of 12/7/2018 and 12/7/2019 and 50% on 12/7/2020.

(14) Restricted stock vests 25% on each of 7/13/2018 and 7/13/2019 and 50% on 7/13/2020.

(15) Performance units granted under the 2016 Long-Term Incentive Plan are earned as of the last day of fiscal 2018, to the extent performance conditions are achieved. Because the awards earned are not currently determinable, in accordance with SEC rules, the number of units and the corresponding market value reflect performance through 2017, including cash payments equal to projected dividend equivalent payments.

(16) Performance units granted under the 2017 Long-Term Incentive Plan are earned as of the last day of fiscal 2019, to the extent performance conditions are achieved. Because the awards earned are not currently determinable, in accordance with SEC rules, the number of units and the corresponding market value reflect performance through 2017, including cash payments equal to projected dividend equivalent payments.

2017 Option Exercises and Stock Vested

The following table provides information regarding 2017 stock options exercised, restricted stock vested, and common shares issued pursuant to performance units earned under the 2015 Long-Term Incentive Plan.

	Option Awards(1)		Stock Awards(2)	
Name	**Number of Shares Acquired on Exercise (#)**	**Value Realized on Exercise ($)**	**Number of Shares Acquired on Vesting (#)**	**Value Realized on Vesting ($)**
W. Rodney McMullen	120,000	$2,176,200	133,484	$3,180,600
J. Michael Schlotman	—	—	60,634	$1,390,177
Michael J. Donnelly	80,000	$1,406,776	32,860	$ 750,535
Christopher T. Hjelm	8,000	$ 130,680	32,902	$ 752,208
Stuart W. Aitken	—	—	12,087	$ 278,971

(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 exercise date.

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

	Vested Restricted Stock		Earned Performance Units	
Name	**Number of Shares**	**Value Realized**	**Number of Shares**	**Value Realized**
Mr. McMullen	120,961	$2,884,682	12,523	$295,918
Mr. Schlotman	54,456	$1,244,200	6,178	$145,977
Mr. Donnelly	29,385	$ 668,416	3,475	$ 82,119
Mr. Hjelm	28,268	$ 642,714	4,634	$109,494
Mr. Aitken	10,425	$ 239,687	1,662	$ 39,284

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, based on the closing price of Kroger common shares on the vesting date.

Performance Units. In 2015, participants in the 2015 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 $23.63 on March 15, 2018, the date of deemed delivery of the shares, are reflected in the table above.

2017 Pension Benefits

The following table provides information regarding pension benefits for the NEOs as of the last day of 2017. Mr. Aitken does not participate in a pension plan.

Name	Plan Name	Number of Years Credited Service (#)	Present Value of Accumulated Benefit ($)(1)	Payments during Last fiscal year ($)
W. Rodney McMullen	Pension Plan	32	$ 1,412,451	—
	Excess Plan	32	$14,576,108	—
J. Michael Schlotman	Pension Plan	32	$ 1,520,588	—
	Excess Plan	32	$ 7,416,810	—
Michael J. Donnelly	Pension Plan	38	$ 754,056	—
	Excess Plan	38	$ 5,960,476	—
Christopher T. Hjelm	Pension Plan	—	—(2)	—(2)

(1) The discount rate used to determine the present values was 3.99% for each of The Kroger Consolidated Retirement Benefit Plan Spin Off (the "Pension Plan") and The Kroger Co. Consolidated Retirement Excess Benefit Plan (the "Excess Plan"), 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 fiscal year 2017.

(2) In 2017, the cash balance portion of the Pension Plan was terminated and Mr. Hjelm's balance was distributed via a transfer to an annuity contract on December 5, 2017. Accordingly, Mr. Hjelm is no longer a participant in the Pension Plan and had no present value of accumulated benefits on the last day of 2017. See the narrative discussion following this table under the heading "Cash Balance Participants" for additional information on the termination of the Pension Plan for cash balance participants.

Pension Plan and Excess Plan

In 2017, Messrs. McMullen, Schlotman, Donnelly and Hjelm were participants in the Pension Plan, which is a qualified defined benefit pension plan. Messrs. McMullen, Schlotman and Donnelly also participate in the Excess Plan, which is a nonqualified deferred compensation plan as defined in Section 409A of the 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 Code.

Although participants generally receive credited service beginning at age 21, certain participants in the 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 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 Pension Plan and the Excess Plan, determined as follows:

- 1½% 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 1¼% 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 ⅓ of one percent for each of the first 24 months and by ½ 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 or she was over age 55, or the benefits that would have been payable to the participant assuming he or she was age 55 on the date of death.

Cash Balance Participants

Mr. Hjelm began participating in the 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.

In 2017, the Company terminated the Pension Plan with respect to active non-union cash balance participants and distributed the current balance of each eligible participant, at his/her election, via a transfer to a 401(k) plan, IRA or a lump sum cash payment. Participants that did not make an election had their balance transferred to an insurer through an annuity contract. On December 5, 2017, Mr. Hjelm's balance of $11,407.48 was distributed via transfer to an annuity contract. Mr. Hjelm is no longer a participant in the Pension Plan.

Offsetting Benefits

Mr. Donnelly also participates in the Dillon Companies, Inc. Employees' Profit Sharing Plan (the "Dillon Profit Sharing Plan"), which is a qualified defined contribution 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 the 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 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 Pension Plan for his service with Dillon Companies, Inc. Mr. Donnelly also participates in the Dillon Companies, Inc. Excess Benefit Profit Sharing Plan ("Dillon Excess Profit Sharing Plan") which provides Company contributions in excess of the qualified plan limits. The Dillon Excess Profit Sharing Plan is offset by Mr. Donnelly's benefit from the Excess Plan. The offsets are reflected in the Pension Benefits table above.

2017 Nonqualified Deferred Compensation

The following table provides information on nonqualified deferred compensation for the NEOs for 2017. Messrs. Schlotman and Aitken do not participate in a nonqualified deferred compensation plan.

Name	Executive Contributions in Last FY	Aggregate Earnings in Last FY(1)	Aggregate Balance at Last FYE(2)
W. Rodney McMullen	$113,409(3)	$618,075	$9,765,811
J. Michael Schlotman	—	—	—
Michael J. Donnelly	$111,014(4)	$ 30,817	$ 540,667
Christopher T. Hjelm	—	$ 11,697	$ 259,712
Stuart W. Aitken	—	—	—

(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 2017 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 2017: Mr. McMullen, $99,858; Mr. Donnelly, $5,701; and Mr. Hjelm, $207.

(2) The following amounts in the Aggregate Balance column were reported in the Summary Compensation Tables covering fiscal years 2006 – 2016: Mr. McMullen, $2,925,884; Mr. Donnelly, $134,959; and Mr. Hjelm, $149,163.

(3) This amount includes the deferral of $5,417 of his salary in fiscal 2017; this amount is included in the "Salary" column of the Summary Compensation Table for 2017. This amount also includes the deferral of $56,925 of his 2014 Long-Term Incentive Plan cash bonus earned for performance over the three year period 2014 to 2016 and paid in March 2017 and the deferral of $51,067 of his 2016 performance-based annual cash bonus plan earned in 2016 and paid in March 2017; these amounts are included in the "Non-Equity Incentive Plan Compensation" column of the Summary Compensation Table for 2016.

(4) This amount represents the deferral of a portion of his 2014 Long-Term Incentive Plan cash bonus earned for performance over the three year period 2014 to 2016 and paid in March 2017; this amount is included in the "Non-Equity Incentive Plan Compensation" column of the Summary Compensation Table for 2016.

Executive Deferred Compensation Plan

Messrs. McMullen, Donnelly and Hjelm participate in the 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 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 2017 earn interest at a rate of 2.8%. 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 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 or her designated beneficiary in lump sum or quarterly installments, according to the participant's prior election.

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, award agreements for stock options, restricted stock and performance units, and the 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 defined in the applicable plan or agreement. Our pension plan 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 2017 Pension Benefits section and the 2017 Nonqualified Deferred Compensation section, respectively.

KEPP

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

- a lump sum severance payment equal to up to 24 months of the participant's annual base salary and target annual bonus potential;
- a lump sum payment equal to the participant's accrued and unpaid vacation, including banked vacation;
- continued medical and dental benefits for up to 24 months and continued group term life insurance coverage for up to 6 months; and
- up to $10,000 as reimbursement for eligible outplacement expenses.

In the event that any payments or benefits received or to be received by an eligible employee in connection with a change in control or termination of employment (whether pursuant to KEPP or any other plan, arrangement or agreement with Kroger or any person whose actions result in a change in control) would constitute parachute payments within the meaning of Section 280G of the Code and would be subject to the excise tax under Section 4999 of the Code, then such payments and benefits will either be (i) paid in full or (ii) reduced to the minimum extent necessary to ensure that no portion of such payments or benefits will be subject to the excise tax, whichever results in the eligible employee receiving the greatest aggregate amount on an after-tax basis.

Long-Term Incentive Awards

The following table describes the treatment of long-term incentive awards following a termination of employment or change in control of Kroger, as defined in the applicable agreement. 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.

Triggering Event	Stock Options	Restricted Stock	Performance Units	Performance-Based Long-Term Cash Bonus
Involuntary Termination	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
Voluntary Termination/ Retirement **- Prior to minimum age and five years of service[2]**	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
Voluntary Termination/ Retirement **- After minimum age and five years of service[2]**	Unvested options continue vesting on the original schedule. All options are exercisable for remainder of the original 10-year term.	Unvested shares continue vesting on the original schedule	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

Triggering Event	Stock Options	Restricted Stock	Performance Units	Performance-Based Long-Term Cash Bonus
Death	Unvested options are immediately vested. All options are exercisable for the 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.
Disability	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
Change in Control(3)	Unvested options are immediately vested and exercisable	Unvested shares immediately vest	50% of the units granted at the beginning of the performance period earned immediately	50% of the 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, as defined in the applicable agreement, 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, February 3, 2018, 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 ($29.34 on February 2, 2018). 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 level.

Name	Involuntary Termination	Voluntary Termination/ Retirement	Death	Disability	Change in Control without Termination	Change in Control with Termination
W. Rodney McMullen						
Accrued and Banked Vacation	$705,370	$705,370	$ 705,370	$ 705,370	$ 705,370	$ 705,370
Severance	—	—	—	—	—	6,631,800
Continued Health and Welfare Benefits(1)	—	—	—	—	—	69,946
Stock Options(2)	—	—	4,648,164	4,648,164	4,648,164	4,648,164
Restricted Stock(3)	—	—	11,352,526	11,352,526	11,352,526	11,352,526
Performance Units(4)	—	54,402	54,402	54,402	2,889,403	2,889,403
Long-Term Cash Bonus(5)	—	19,166	19,166	19,166	1,258,750	1,258,750
Executive Group Life Insurance	—	—	5,213,600	—	—	—
J. Michael Schlotman						
Accrued and Banked Vacation	$479,564	$479,564	$ 479,564	$ 479,564	$ 479,564	$ 479,564
Severance	—	—	—	—	—	3,192,720
Continued Health and Welfare Benefits(1)	—	—	—	—	—	104,012
Stock Options(2)	—	—	1,796,584	1,796,584	1,796,584	1,796,584
Restricted Stock(3)	—	—	4,223,933	4,223,933	4,223,933	4,223,933
Performance Units(4)	—	18,948	18,948	18,948	1,017,658	1,017,658
Long-Term Cash Bonus(5)	—	13,056	13,056	13,056	855,120	855,120
Executive Group Life Insurance	—	—	50,000	—	—	—
Michael J. Donnelly						
Accrued and Banked Vacation	$211,530	$211,530	$ 211,530	$ 211,530	$ 211,530	$ 211,530
Severance	—	—	—	—	—	3,150,000
Continued Health and Welfare Benefits(1)	—	—	—	—	—	85,275
Stock Options(2)	—	—	1,282,087	1,282,087	1,282,087	1,282,087
Restricted Stock(3)	—	—	4,001,125	4,001,125	4,001,125	4,001,125
Performance Units(4)	—	14,212	14,212	14,212	763,295	763,295
Long-Term Cash Bonus(5)	—	11,590	11,590	11,590	761,250	761,250
Executive Group Life Insurance	—	—	3,132,800	—	—	—
Christopher T. Hjelm						
Accrued and Banked Vacation	$ 28,562	$ 28,562	$ 28,562	$ 28,562	$ 28,562	$ 28,562
Severance	—	—	—	—	—	2,885,208
Continued Health and Welfare Benefits(1)	—	—	—	—	—	64,442
Stock Options(2)	—	—	1,282,087	1,282,087	1,282,087	1,282,087
Restricted Stock(3)	—	—	3,131,986	3,131,986	3,131,986	3,131,986
Performance Units(4)	—	14,212	14,212	14,212	763,295	763,295
Long-Term Cash Bonus(5)	—	10,817	10,817	10,817	710,500	710,500
Executive Group Life Insurance	—	—	2,920,400	—	—	—
Stuart W. Aitken						
Accrued and Banked Vacation	$ 8,264	$ 8,264	$ 8,264	$ 8,264	$ 8,264	$ 8,264
Severance	—	—	—	—	—	2,027,000
Continued Health and Welfare Benefits(1)	—	—	—	—	—	34,943
Stock Options(2)	—	—	357,864	357,864	357,864	357,864
Restricted Stock(3)	—	—	2,062,749	2,062,749	2,062,749	2,062,749
Performance Units(4)	—	—	4,780	4,780	256,740	256,740
Long-Term Cash Bonus(5)	—	—	10,431	10,431	685,125	685,125
Executive Group Life Insurance	—	—	3,889,100	—	—	—

(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 payable by the Company during the eligible period. The eligible period for continued medical and dental benefits is based on the level and length of service, which is 20 months for Mr. Aitken, and 24 months for the other NEOs. The eligible period for continued executive term life insurance coverage is six months for the NEOs. The amounts reported may ultimately be lower if the NEO 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 February 2, 2018. A value of $0 is attributed to stock options with an exercise price greater than the market price on the last day of the fiscal year. In accordance with SEC rules, no amount is reported in the voluntary termination/retirement column because vesting is not accelerated, but the options 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 unvested restricted stock. In accordance with SEC rules, no amount is reported in the voluntary termination/retirement column because vesting is not accelerated, but the restricted stock 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 2016 and 2017, based on performance through the last day of fiscal 2017 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 2016 and 2017. Awards under the 2015 Long-Term Incentive Plan were earned as of the last day of 2017 so each NEO age 55 or over was entitled to receive (regardless of the triggering event) the amount actually earned, which is reported in the Stock Awards column of the 2017 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 2016 and 2017, based on performance through the last day of fiscal 2017 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 2016 and 2017 Long-Term Incentive Plans. Awards under the 2015 Long-Term Incentive Plan were earned as of the last day of 2017, so each NEO age 55 or over 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 for 2017.

CEO Pay Ratio

As required by Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, and Item 402(u) of Regulation S-K, we are providing the following information regarding the ratio of the annual total compensation of our Chairman and CEO, Mr. McMullen, to the annual total compensation of our median employee.

As reported in the Summary Compensation Table, our CEO had annual total compensation for 2017 of $11,534,860. Using this Summary Compensation Table methodology, the annual total compensation of our median employee for 2017 was $21,075. As a result, we estimate that the ratio of our CEO's annual total compensation to that of our median employee for fiscal 2017 was 547 to 1.

This pay ratio is a reasonable estimate calculated in a manner consistent with SEC rules based on our payroll records and the methodology described below. The SEC rules for identifying the median compensated employee and calculating the pay ratio based on that employee's annual total compensation allow companies to adopt a variety of methodologies, to apply certain exclusions, and to make reasonable estimates and assumptions that reflect their compensation practices. As such, other companies may have different employment and compensation practices and may utilize different methodologies, exclusions, estimates and assumptions in calculating their own pay ratios. Therefore, the estimated pay ratio reported above may not be comparable to the pay ratios reported by other companies and should not be used as a basis for comparison between companies.

We identify the "median employee" from our employee population on the last day of our 11th fiscal period (December 2, 2017), which included full-time, part-time, temporary, and seasonal employees who were employed on that date. The consistently applied compensation measure we used was "base salary/wages paid", which we measured from the beginning of our fiscal year, January 29, 2017, through December 2, 2017; and we multiplied the average weekly earnings during this period of each full-time and part-time permanent employee by 53, which was the number of weeks in fiscal 2017. We annualized the earnings of all permanent employees who were on a leave of absence or were new-hires in 2017. We did not make any other adjustments permissible by the SEC nor did we make any other material assumptions or estimates to identify our median employee.

Once the median employee was identified, we then determined the median employee's annual total compensation using the Summary Compensation Table methodology as detailed in Item 402(c)(2)(x) of Regulation S-K, and compared it to the annual total compensation of Mr. McMullen as detailed in the "Total" column of the Summary Compensation Table for 2017, to arrive at the pay ratio disclosed above.

Item No. 2 Advisory Vote to Approve Executive Compensation

You are being asked to vote, on an advisory basis, to approve the compensation of our NEOs. The Board of Directors recommends that you vote FOR the approval of compensation of our NEOs.

The Dodd-Frank Wall Street Reform and Consumer Protection Act, enacted in July 2010, requires that we give our shareholders the right to approve, on a nonbinding, advisory basis, the compensation of our NEOs as disclosed earlier in this proxy statement in accordance with the SEC's rules.

As discussed earlier in the CD&A, our compensation philosophy is to attract and retain the best management talent and to motivate these employees to achieve our business and financial goals. Our incentive plans are designed to reward the actions that lead to long-term value creation. To achieve our objectives, we seek to ensure that compensation is competitive and that there is a direct link between pay and performance. To do so, we are 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; and
- Components of compensation should be tied to an evaluation of business and individual performance measured against metrics that directly drive our business strategy.

The vote on this resolution is not intended to address any specific element of compensation. Rather, the vote relates to the compensation of our NEOs as described in this proxy statement. The vote is advisory. This means that the vote is not binding on Kroger. The Compensation Committee of the Board is responsible for establishing executive compensation. In so doing, the Compensation Committee will consider, along with all other relevant factors, the results of this vote.

We ask our shareholders to vote on the following resolution:

"RESOLVED, that the compensation paid to the Company's NEOs, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables, and the related narrative discussion, is hereby APPROVED."

The next advisory vote will occur at our 2019 annual meeting.

The Board of Directors Recommends a Vote For This Proposal.

Item No. 3 Vote to Approve Amendment to Regulations to Permit Proxy Access

You are being asked to vote to approve an amendment to our Regulations to incorporate a provision that will permit proxy access nominations of directors to our Board of Directors. Our Board of Directors recommends that you vote FOR this proposal.

Under this Item No. 3, the Board is recommending that our shareholders adopt an amendment to our Regulations to implement proxy access. The proposed amendment is contained in a new Article I, Section 2(B)(3) to our Regulations, a copy of which is included in Appendix A attached to this Proxy Statement (the "Amendment"). Proxy access allows eligible shareholders to include their own nominees for director in the Company's proxy materials along with the Board of Director's nominees.